

FINANCIAL TIMES

THURSDAY MARCH 25 1999

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Eureka? Remember cold fusion and act with caution Science, Page 12



Telecom Italia and Olivetti What shareholders think of the takeover plan Page 18



China Why foreign investors running out of patience Page 15

Malaysia Still rowing against the liberal current Page 6

WORLD NEWS.

UK's highest court rules Pinochet can face extradition bid

Britain seemed set yesterday to back continued Spanish attempts to extradite General Augusto Pinochet, the former Chilean dictator accused of crimes against humanity. An important court ruling weakens the case against him, but officials said home secretary Jack Straw was unlikely to reverse his previous approval of the extradition process. Page 16; Reaction, Page 6; Twice damned, Page 14; No hiding place, Page 15

Waiver sought to Iran sanctions The White House is under pressure to grant a one-time waiver of sanctions against Iran to allow the sale of farm products worth \$500m . Americas, Page 6

Japan to review its defences Prime minister Keizo Obuchl said Japan would consider strengthening its defence capability after Japanese destroyers gave up chasing two unidentified ships which had intruded into its waters. Asla, Page 4

Killer disease spreads in Malaysia A disease that has killed 58 people in Malaysia has spread to the island of Borneo. Japanese encephalitis is carried by pigs and spreads to humans via mosquitoes. Asia, Page 4

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N Ireland body set to go ahead Northern Ireland minister Mo Mowlam indicated she would push ahead with formation of the region's new power-sharing administration on Good Friday despite a continuing row over paramilitary arms. UK, Page 10; Regional aid, Page 3

Ramos vows to clear his name Former Philippine president Fidel Ramos vowed to clear his name after a senate panel urged his prosecution for alleged misuse of state funds.

Paraguay in impeachment move Paraguay's lower house voted for impeachment hearings against President Raul Cubas for not jailvicted for a coup attempt. Picture, Page 5

Democrat bows out of race Civil rights leader the Rev Jesse Jackson, who twice sought Democratic party nomination for the US presidency, said he would not be entering the race.

Pretoria fraud case opens Wouter Basson, South Africa's former head of chemical and biological warfare, was charged with fraud, theft and murder.

Runaway train kills 32 A runaway train bound for the Kenvan port of Mombasa jumped the track and killed at least 32 people, including five foreigners. Another 100 people were injured.

Uproar over Indian insurance India's state-owned General Insurance Corporation dropped a rape clause in a women's insurance policy because of outrage that the government should sell "rape Insurance". Asia, Page 4

Sensitive GM food test launched Rank Hovis McDougall subsidiary RHM Technology of the UK launched a test it says can identify even tiny amounts of geneti-cally modified ingredients in processed food.

BUSINESS NEWS

Mediobanca chief faces pressure

Mediobanca chief executive Vincenzo Maranghi came under increasing pressure from shareholders and bankers to step cal restructuring of the Milan investment bank.

biggest broker, was downgraded by the two largest US credit ratings agencies because of concerns over its capital base, earnings and growth prospects. Page 17; Lex, Page 16; Japanese brokerages to merge, Page 23

Elektrim, Poland's largest listed industrial group, announced the \$325m cash acquisition of Bresnan Telecommunications Poland, a telecoms and cable television company. Page 17

The Norwegian Bankers' Association called for changes to the country's financial regulations to defend its banking industry from foreign takeovers. International, Page 21

Telecom Italia brought forward its extraordinary shareholders' meeting to approve its new industrial strategy to fight Olivetti's €53bn (\$58bn) hostile bid. Europe,

Dresdner Bank of Germany had its credit ratings put under review for possible downgrade by rating agency Moody's Investors Ser-

Diageo, food and drink group, has put Cruzcampo, its Spanish brewing subsidiary, up for sale a move likely to attract interest from international brewing

Central European Media Enterprises, pioneer of privately owned commercial television in east Europe, has changed its senior management for the second time in 12 months after heavy losses and a deep fall in share price. Europe, Page 18

Société Générale and Paribas said their proposed merger would create €258m (\$284m) more in annual synergies by 2001, mainly through reduced costs, than they had initially thought.

Mobilcom, one of Germany's fastest-growing new telecommunications companies, saw shares fall by 10 per cent. Europe, Page 18

Air France is shutting its nine European telephone reservation centres and moving to Wembley, London, creating 240 jobs. UK news, Page 10

company that developed the technology used by Lycos, one of the largest US search engine operators, to find songs on the internet, is facing legal action from the music industry for alleged copyright infringement.

Lex on Nomura Securities A shadow of

its former self

WORLD MARKETS

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Nomura Securities, Japan's

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groups. UK companies, Page 24

Europe, Page 18

FAST, the Norwegian software

Nato forces bomb Yugoslavia

Explosions heard near Belgrade as cruise missiles strike at military targets

By Alexander Nicoll in London and Guy Dinmore In Belgrade

Nato last night launched air attacks on Yugoslavia in a bid to curb a Serbian offensive in Kosove and weaken the military apparatus of Slobodan Milosevic, the Yugoslav president.

Announcing shortly after 7pm GMT that air strikes had begun. Bill Clinton, US president, said: "Only firmness now can prevent greater catastrophe later."

Air raid sirens sounded in Belgrade, the Yugoslav capital, and massive explosions were heard to the south of the city. Explosions rocked Pristina, capital of the province of Kosovo, and anti-aircraft fire could be heard. The attacks began an onslaught by cruise missiles and

manned bombers that military officials said was likely to last several days, on a wide range of military targets across Yugoslavia. This was in line with Nato's aim of reducing Serbia's ability to cause a humanitarian catastrophe and weakening its military capabilities. US officials added that the

cruise missiles were fired from US warships and B-52 bombers, and were aimed at air defence evidence that the Serbs planned

nications sites. Military experts said the aim was to disable Yugo-slav air defences in order to establish air superiority and reduce the risk of casualties to manned aircraft.

The explosions came as Javier Solana, Nato secretary-general, announced he had been informed by the Supreme Allied Commander Europe, US General Wesley Clark, that the Nato strikes were under way.

"Clear responsibility for the air strikes lies with President Milosevic who has refused to stop his violent action in Kosovo and has refused to negotiate in good faith," Mr Solana said.

British officials said the attacks included missile strikes at installations of the Serb army and special police, as well as at air defence systems. Underlining that Nato's aim

was to prevent a humanitarian disaster in Kosovo - a province of Serbia with an ethnic Albanian majority population -George Robertson, UK defence secretary, said 20,000 people had been forced to leave their homes in Kosovo this week.

British officials said they had



Kosovo's ethnic Albanian majority. The officials warned that Serbian military commanders who ordered attacks on civilians in Kosovo would be held responsible at the war crimes tribunal in the Hagne. "They need to have concerns because we will finger them." said one.

The Nato strikes followed lastminute attempts by Russia to must keep talking. persuade Mr Milosevic to accept a peace agreement under which Nato peace-keeping ground forces

would be deployed in Kosovo. opposed Nato strikes, said it was expressed willingness to negoticalling an emergency session of ate a political settlement that the United Nations Security would respect equal rights of Council to try to stop cooperation communities. with Nato. Boris Yeltsin, Russia's president, said on television that Additional reporting by Laura Sil-

speech before the attacks began, Lessons of Kosovo, Page 14

tion of a proposed Nato peace-Russia, which has bitterly keeping force for Kosovo. But he-

Mr Milosevic was a difficult nego . ber at the United Nations and tlating partner but mediators Haig Simonian in Berlin.

Mr Milosevic, in a defiant 'Tragic step' says Yeltsin, Page 2 reiterated his government's rejec- Editorial Comment, Observer, Page 15

EU leaders united in choosing Prodi as president



By Peter Norman, Haig Simonian and Robert Peston in Berlin

yesterday moved swiftly to fill the power vacuum at the top of the European commission by unanimously nominating Romano Prodi, the former Italian prime minister, to succeed Jacques Santer as commission presi-

chancellor hosting a special EU top executive. sion was a sign that the EU was capable of action after last week's mass resignation of all 20 commissioners following a damning report on nepotism, fraud and mismanagement in the EU execu-Mr Prodi's nomination, which

came unexpectedly after less than an hour's discussion, also got the summit off to a positive

European Union leaders prime minister, later hinted that the nomination had been stagemanaged by Mr Schröder, Tony Blair, the UK prime minister, and Jacques Chirac, the French presi-Mr Schfoder made clear that

Mr Prodi, 59, who was supported by the Italian government

and was the only formal candidate for the job, will meet EU leaders early next month to discuss his ideas and those of member states for reform of the commission and for better co-operation among EU institu-

Mr Schroder said the present parliament, which will be disstart before leaders turned to the solved in May ahead of elections nated commission president also Romano Prodi after his appointment crisis in Kosovo and difficult in June, would vet Mr Prodi has a say in their appointment.

over the appointment.

but the German chancellor said summer recess. the decision was a sign that the European council, the summit

gations into the last commission's behaviour that set in train the events that led to its sudden resignation last week.

While the parliament could accept Mr Prodi as early as next month, it will take longer for a new commission to be appointed. The nomination of commissioners is the responsibility of member states, although under the Amsterdam treaty, the nominated commission president also

negotiations over the EU's future under the procedures of the EU's Mr Schroder said the new comfinances, known as Agenda 2000. Amsterdam treaty, which gives mission president would try to Massimo D'Aleme the Italian the assembly the right of veto have his team confirmed in July, when the newly elected parlia-The treaty has yet to be ratified ment meets briefly ahead of the

Mr Schroder said Mr Prodi, a former university professor and gathering of leaders, wanted to former chairman of Iri, Italy's co-operate closely with the parks. state holding company, ideally the leaders wanted Mr. Prodi to ment, which has grown apprecia- fulfilled the criteria for a new be confirmed in office quickly to by in power and prestige of the commission president. He had a start rebuilding the commission's It was the parliament's rigor rich political experience, was an ous scrutiny of previous investi- experienced administrator and reformer, possessed undisputed personal integrity and could boast an unusual degree of economic expertise and experience. He was also the right man to enter a close dialogue with the member states over the need for reform of the commission to yield more transparency and openness that would bring Europe closer to its citizens.

Reports, Page 3; Editorial Comment

China may adopt **US** phone standard

to the US mobile phone standard CDMA, raising the prospect of excess of \$10bn. billions of dollars in exports for American companies. An announcement of Beijing's

plans to allow the nationwide provision of CDMA (Code division multiple access) systems is expected around the time that Zhu Rongji, the Chinese premier, visits the US in April. A Chinese telecoms official

cautioned, however, that the announcement could be withheld if Mr Zhu encountered hostility in Washington. "It depends somewhat on America's attitude. It would be very

difficult to grant a concess while they are restricting technology exports to China and accusing us of spying," said the official, who declined to be European mobile equipment manufacturers, such as Bricsson,

Nokia and Siemens, which produce the GSM standard that corrently dominates China's mobile market, stand to lose if permis-sion for CDMA is granted. Under the plan, China Unicom; the country's second state owned carrier, would be awarded Chi-

licence this year, the official said. China is planning to offer a keep. The company has drawn and trade concession to Washington ambitious schedule that envis-by opening its domestic marks, ages 40m subscribers by 2003 – requiring capital investment in

Since China does not make CDMA technology, US equipment suppliers such as Motorola, Lucent Technologies and Nortel, as well as Samsung, the Korean manufacturer, would see their sales soar in the world's fastestgrowing mobile telephone market. China's mobile subscriber base, currently at about 25m, is growing at a rate of 1m a month.

"We are talking in terms of building the biggest CDMA mar-ket in the world," said one Unicom executive who recently wisited a Lucent Technologies outlet in China with a view to buying

From a domestic point of yiew, the adoption of CDMA makes sense on a number of levels, Chiese officials said. First, it could help reduce friction over China's trade surplus with the US, which climbed to \$57bn last veer Second, it could boost domestic demand, and third, it would allow Unicom to provide some real competition to China Telecom, an inefficient leviathan

World News: The Americas 6 International 5, Asia Pacific 4, Trade 7, UK 10

European News: 2,3 Technology: 12

Comment & Analysis: 14,15

Asia Pacific 23, International 20,21, UK 24,

10s 2 a.m., 4000 miles from home and your stomach says, "Let's do lunch." Room service responds, "Of course." Formuleig at The Regent, we speak the same language. So, when you internal clock is set for an country different unce and you feel like doug lands, just ask. Our nine comes are universal. The Regent Where our standards over yours SINGAPORS SUMMERLIN ICAS VEGAS: SEDNEY TAIPEL



Capital Markets 26 World Stock Markets: 32-38

Operation Allied Force attacks Serb targets

After months of agonising over Serbian aggression against ethnic Albanians in the republic's province of Kosovo, the western powers are set on disabling Milosevic's military machine. But Nato action comes amid scepticism that strikes will force a climbdown and in the face of fierce objections from Russia

Defence Correspondent

Operation Allied Force, launched by Nato last night. was intended to deal a devthe Yugoslav president.

mission spelled out on Tuesday night by Javier Solana.

said, would "be directed

by the Serb army and special police forces, and weakening their ability to cause further humanitarian catastrophe". astating blow to the military This meant two types of tar- surveillance, had a fix on all might of Slobodan Milosevic. gets were to come under main air defence installa-

Nato bombs and cruise • Yugoslavia's integrated missiles were targeted network of air defence the region capable of launchagainst a wide range of systems. Cruise missiles ing Tomahawk cruise mis-Yugoslav military targets were aimed at surface-to-air with the aim of fulfilling the missile launchers as well as the radar and communications installations that feed information to them, and The action. Mr Solana anti-aircraft gun installa-

during ensuing bombing raids by manned aircraft. It is likely that Nato,

thanks to satellite and aerial

siles: four US warships, two US attack submarine, and HMS Splendid, the only British submarine fitted with

Tomahawks, which it would

be firing for the first time in

Nato strikes against Yugoslavia

terday from Fairford, Gloucestershire in the UK. • The Serbian army and

ovo and in the rest of Serbia. Heavy weapons and tanks, aircraft and airfields, command and control censystems, bases, depots and barracks were all due to come under attack.

The violent offensive under way against the ethnic Albanian majority in Kosovo had added urgency anger. Missiles could also be to Nato's plans to hit at Serb

lent attacks being committed reduce the risk of casualties bombers, which took off yessaid Serbia had 44,000 troops A-18 fighters. Harriers, Jag- downed," said a UK official. and special police deployed in and around Kosovo and special police both in Kos- that the Serb offensive had displaced 20,000 people from their homes since Sunday. A British intelligence offiused in combat, could also

cial said Nato had been communications aware of Mr Milosevic's plans for a full-scale attack on the separatist Kosovo Liberation Army and also knew of plans for ethnic cleansing in the Serbian province. Serbia had made clear its aim was to crush the KLA. Nato has 350-400 war-

uars and Mirages as well as surveillance and support aircraft, ready to operate from tary chiefs were expected to

be sent from the US. Serb forces, though lacking the sophisticated aerial weaponry and fire power of Nato, were expected to put up sturdy resistance. Alliance commanders have been their capabilities. "We canAfter an initial onslaught

lasting some days, Nato milibases in Italy, Germany, pause to allow further diplo-France and Britain. B-2 matic efforts to persuade Mr stealth bombers, so far not Milosevic to accept a Kosovo peace agreement involving the deployment of a 30,000strong Nato ground force to back up a peace accord.

Although Nato has some 13,000 troops - the first part careful not to underestimate border from Kosovo, there was no intention to send

Yugoslav hardware

Towed artiflery

towards disrupting the vio- cause enough damage to launched from eight B-52 forces there. George Robert- planes, including F-117 not discount the possibility them in unless Mr Milosevic Any attempt to intervene on the ground as a hostile force would require a force of at least 100,000 troops.

Britain warned that any attempt by Mr Milosevic to attack Nato peacekeepers in Bosnia and Macedonia would be a "gross violation". Mr Robertson said it would lead to an immediate and considerable response in retaliation". UK officials said the Nato forces in Macedonia were not within artillery range and would be pro-

YUGOSLAV MILITARY STRENGTH

Mobile missile units form cutting edge

Once the second biggest in Europe, the Yugoslav army is a shadow of its former self and no match for Nato's nants of a US F-16 are superior air power. But, ana- proudly displayed at Bellysts say, it still has the capability to inflict serious losses on the western alli-

Nato planners are less Serbia, which together with eral Yugoslavia, than by have the range to hit US and other troops based just outside Serbia in neighbouring Bosnia and Macedonia.

some FROG surface-to-surface missiles with a range of about 40 miles, which Serbia has moved out of positions around Belgrade.

Orcan (Wind) 300mm rocket system with a range of some

the Brcko area in Serb-controlled northern Bosnia, less than 15 miles from the border with Serbia. Nato has been starved of funding and also positioned some 12,000 is reduced to some 115,000 troops in Macedonia as a vanguard for a proposed peacekeeping force to enter the war-torn Serbian province of Kosovo, just a few

'The nightmare scenario is that the Serbs get a pounding, then the force in Macedonia would be vulnerable. They are not defensive just a great heap of people," one source said. There was also a danger of car-bomb attacks by extremists in

Yugoslav mobile air

to down some Nato aircraft. analysts said, recalling that Nato lost three aircraft over Bosnia in 1995. The remgrade airport's military

believe Russia has refused to break the UN arms embargo

six republics disintegrated, the Yugoslav National Nato has lost track of Army, as it was then known. was the second biggest army in Europe after the Soviet Union, with some 250,000

Serbia also has the Super- warfare and based on territolarly called up reservists for Several thousand US was a producer of weapons troops are currently based in for domestic use and export.

evic, the president of federal Yugoslavia the army has

importance, Mr Milosevic built up his more trusted force of Serbian interior ministry troops, who have carried out the brunt of fighting in Kosovo against ethnic Albanian rebels.

their own intelligence services, eved each other with suspicion for years and only began to integrate fully their fighting capabilities after Mr Milosevic began a purge of defence systems, the SA-6 his senior military com-

worried by the biggest mobi- against Yugoslavia and suplisation of reservists since ply it with the sophisticated the second world war in SA-300 air defence system. Nato's cruise missiles will Montenegro comprises fed- face no obstacles but, as the strikes against Bosnia and not always accurate.

exercises and the country

troops.

43.000 are conscripts.

and SA-3 in Serbia and Mon- manders last October. The

Ten years ago, before the

But under Slobodan Milos-

Designed for defensive

While the army declined in

troops, of which around

The two forces, each with





cutting edge remains three special police units, trained in anti-terrorism and well

Although Mr Milosevic may now feel comfortable with his generals at the helm, Nato planners question whether they fully understand the weight of firepower arrayed against them or if more junior officers and the bulk of conscripts have the discipline to hold their ground. The first wave of Nato strikes was

expected to take out communications systems and leave units cut off from their com-

But, diplomats said, Nato should not underestimate the determination of the Yugoslav army to defend Kosovo, seen as the heartland of ancient Serbian kingdoms and their Christian Orthodox heritage.

"We have to expect the VJ [Yugoslav Army] to fight. They are winding up the nationalist fervour," one

western source commented. "One grave concern is that if we really let fly, they will turn against the Kosovo Albanians, So-called selective burning of houses could

turn into a maelstrom." Miroslav Lazanski, military correspondent for the pro-government Vecernje Novosti newspaper, says the armed forces have sophisticated US, French and British weapons, including elements embargo, he said: "Officially ment has denied this. there is an embargo. Unofficially there are ways for weapons to come in. Like God, arms move in mysterious ways. On the Russian black market you can buy anything you want."

Azerbaijan said on Tuesday it had seized a Russian the present UN arms although the Slovak govern- selves," he said.

The Yugoslav army, Mr Lazanski said, would respond to Nato attacks. "I'm sure the army will not remain passive in case of

attacks and there are certain

targets that VJ systems can "I won't say exactly what

cargo aeroplane with six but everything in range will MiG fighters inside bound be hit. You must realise you for Yugoslavia. Moscow are pushing us up against insisted the consignment the wall, right to the end, of air defence systems. Of was on its way to Slovakia, and we have to defend our-

Riot police in the capital Podgorica loval to Mr Diuka-

> military to take control. General Radislav Martinovic, commander of the Yugoslav army's second corps in Montenegro. demanded last week that Montenegro's police force be placed under his command.

> local media reported. Predrag Bulatovic, a senior official in Montenegro's Socialist People's party (SNP), which has close ties to Mr Milosevic. accused Mr Djukanovic of "serving foreign interests" and warned him not to declare Montene-

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negro has taken over various functions of the federal government and recently threw out federal customs officers sent by Belgrade. Analysts said Yugoslavia as a federation existed virtually in name only, with the currency, the army and sports teams the last vestiges of a

gro's independence,

Should Montenegro break away then the Kosovo autonomy plan signed by the Kosovo Albanians, but not the Serbs, at Paris peace talks last week would collapse

The ethnic Albanian delegation reluctantly accepted a three-year interim status for the Serbian province of Kosovo that preserved its institutional ties with Yugoslavia but stripped away all authority of the Serbian government. Without Montenegro. however, federal Yugoslavia

BRITISH BACKING OBJECTIVES CLEAR, INSISTS DOWNING STREET

MPs throw doubt on efficacy of strikes

By Andrew Parker

The UK government was yesterday attacked by MPs from its own party for backing Nato air strikes against Yugoslavia, as opposition politicians questioned whether the action would

ister, said at the European summit in Berlin: "We have tried to get a peaceful settlement to this. We have given [Yugoslav President Slobodan] Milosevic every chance to come into line with the agreements he entered into last October. He has failed to

do so and we must now act. defence minister, sought to But Labour. Conservative

and Liberal Democrat MPs questioned whether air strikes would force Mr Milosevic into a climbdown. Jim Cousins, a leftwing

mence are instantly terminated"

signed a motion that opposed the Nato action. The motion said the move contravened "the sovereign status of a recognised state"

President Milosevic every chance to come

and was "likely to cause further civilian casualties and could lead to an escalation of conflict with consequent increased loss of life on all

into line' ~ Blair

Paddy Ashdown, leader of the opposition Liberal Democrat party, said there must be "clearly defined and achievable political aims" to the Nato action.

While supporting the air strikes to reduce Mr Milosevic's military capability. Mr

He said if Mr Milosevic refused to sign the peace agreement then the first step towards stability would be

in Kosovo. Crispin Blunt, an opposition Conservative party MP, asked what would be the Nato response if the air strikes made the situation in Kosovo "worse rather than

the establishment of an

"international protectorate"

John Prescott, UK deputy prime minister, replied: "We are confident the strategy we have embarked upon will bave its effect."

Downing Street, responding to Mr Ashdown insisted that Nato's objectives were clear. The minimum objective

sion in Kosovo to avert a humanitarian disaster, by targeting Mr Milosevic's military capability. Mr Blair's spokesman said Mr Milosevic had to fulfil promises made last year to

end repression, withdraw troops to barracks and sign up to the peace agreement set out in the Paris accord. He added that under the Paris accord, the proposed constitutional settlement for Ashdown warned that "it Kosovo would be policed by

MONTENEGRO

Federal republic at risk of splitting

By Guy Dinmore

The crisis in Kosovo yesterday threatened to tear apart the two remaining republics in Yugoslavia, with the pro-western government in Montenegro declaring it would not recognise a declaration of an "imminent state of war" and other decisions by the federal government dominated by Serbia.

Montenegro's parliament met in emergency session and was expected to give its support to the government of Milo Djukanovic, president, a fierce critic of Slobodan Milosevic, the federal Yugoslav president.

Belgrade's declaration on Tuesday of an "imminent state of war" was a prejude to a state of war or emergency, which would give sweeping powers to the federal government led by Mr

Tension ran high in Montenegro, where air defence and missile units of the Yugoslav army loyal to Mr Milosevic and based along the Adriatic were expected

to be among Nato's targets. Supporters of Mr Djukanovic fear an attempt by the Yugoslav army to overthrow his government if he carries out a threat to declare "neutrality", effectively one step away from full secession. These fears have been fuelled by the army's call-up of reservists. The stronger response came from support ers of Mr Milosevic.

Western governments have thrown their support behind Mr Djukanovic since his election victory 18 months ago over Momir Bulatovic, a close ally of Mr Milosevic and now prime minister of federal Yugo-

novic have taken up positions around government buildings and key installations, such as telecommunications and state television. to deter any attempt by the

In recent months, Montesingle state.

was to curb Serbian represimmediately.

would have ceased to exist.

RUSSIAN WARNING KREMLIN SEES RISK OF CONFLICT WIDENING

'Tragic step', says Yeltsin

By John Thornhill in Moscow

Shortly before Nato launched an attack on Serdent Boris Yeltsin warned that Nato countries risked plunging Europe into war if they took the next "tragic step" of bombing Serb posi-

In a rare, and emotional

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whole international commu-

Mr Yeltsin said he wished to "convince Clinton not to make this tragic, dramatic step. It is a danger for Europe. It is war in Europe and maybe more than that". The Russian president said

he fully supported the decision of Yevgeny Primakov. prime minister, to postpone his visit to Washington. where he was due to meet Mr Clinton and the International Monetary Fund. Mr Primakov had been mid way across the Atlantic on Tuesday before turning his aeroplane around and heading home when he learned that Nato bombing raids were

Mr Primakov said Russia would "never trade her principles" by bargaining foreign policy concessions for eco-

nomic gain. But he said he had already talked by telephone to Michel Camdessus, the IMF's managing director, to rearrange their meeting. Mr Primakov said this might be possible in the next few days, either in Moscow or in

a third country. He confirmed the two sides were making good progress in agreeing a new Argumenti i Fakti newspaper, Yuri Maslyukov, the our interests, we cannot

television address, Mr Yelt- around Kosovo - and the sin appealed directly to US disruption to IMF talks -President Bill Clinton not to unsettled Russia's financial further political turmoil strike a "blow against the markets. The rouble, which has been trading in a fairly stable range of between 20 to

> Moscow's currency market. Maxim Shashenkov, managing director of Alfa Bank. said any delays in the IMF talks would not only unnerve financial markets but could also aggravate

> 23 to the US dollar over the

Europe. It is war in Europe and maybe more than

'It is a danger for

that' - Yeltsin political tensions in Moscow. "One thing is clear. Without the IMF money. Russia is world. "By turning the aerogoing to have a severe politi-

cal crisis," he said.

Primakov has been ensuring a balance, a detente, who understands nothing between the president and but force and who is conparliament. Now he will find it very difficult to keep them apart. Without the LMF money, this balance will be actions would further erode destroyed."

In an interview with the

Communist first deputy even talk to them," he said.

prime minister in charge of the economy, also forecast ahead. He said the current government's time could run

"Of course this governpast few weeks, slipped at ment is interim, it cannot one point yesterday to 26 on solve basic issues. It can only keep the country from sliding into an abyss," he said. "There are a number of problems that we simply cannot solve now." Russia's nationalist politi-

cians, including the leaders

of the Communist party.

which forms the higgest parliamentary faction. welcomed Mr Primakov's decision to postpone his trip to Washington and condemned US warmongering. But Andrei Kozyrev, the former foreign minister and liberal MP, said the government's position over Kosovo contradicted the country's

national interest, which was to unite with the democratic, civilised countries of the plane around, the Russian side has got into a situation where it supports a dictator ducting ethnic cleansing in Kosovo," he said.

Mr Kozyrev said Russia's

its relations with the US.

"Instead of a partnership,

which would correspond to

bring peace to Kosovo. Tony Blair. UK prime min-

George Robertson, UK clarify Nato's "minimum objective" of reducing Serb repression in Kosovo, "The talk about us bombing Serbia is loose and inaccurate. The targets will be military targets exclusively." he

MP from the ruling Labour party, sought assurances in the UK parliament that "at

the first indication" Mr Mil-

osevic accepted the proposed peace agreement. "the hostilities that are about to com-

Six other leftwing Labour MPs from the ruling party

'We have given

will not produce stability in Nato forces.

Italy hails Prodi's EU post

THER STANKEH 23 by

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MONTENEGRO

The Markett State

Italy's political establishment yesterday reacted with joy and a touch of disbelief at the news that Romano Prodi had been appointed president of the European Commission. As news came of Mr Pro-

di's nomination, politicians expressed their delight that an Italian had taken the presidency for the first time since Franco Maria Malfatti held the post from 1970 to

Massimo D'Alema, the appointment is a political has complained it is underrepresented in international institutions.

was seen in Rome as a ligure. turning-point in Italy's international image, especially as 'honesty" and "toughness"

of the new president.

There is a second significant gain for Mr D'Alema. In recent months. Mr Prodi. whose government fell last October, had begun forming a new centre-left party that looked set to do well at the European elections, threatening Mr D'Alema's leader-

Mr D'Alema has won a new lease of political life man of Iri, the state holding with the departure for Brussels of a rival.

For the government of most warmly by the UK government, Mr Prodi, who was boost. For years Italy, one of the London School of Eco-year. the world's main economies, nomics, is close to Tony Blair. UK prime minister. Mr Prodi's reputation abroad speaks good English and Mr Prodi's appointment trustworthy, down-to-earth

The Blair government is turning its mind to an are deemed pre-requisites Euro entry and some diploter was not as tough as leg-reserves to lift investment.

mats in Rome feel Mr Prodi end has it. During his first could play an important role six months as premier, he in making Europe seem had hoped to water down the more friendly to British public opinion.

Elsewhere, Mr Prodi is perceived as someone with strong experience of economic management who can lead reform of the European Commission.

In the 1980s, he was chaircompany. In 1996, he led Italy's centre-left coalition to Outside Italy, Mr Prodi's an election victory. He held appointment will be greeted his government together for 28 months, long enough to ensure Italy qualified for the a postgraduate student at euro single currency this

as a tough "chief executive" comes over on television as a of liberal economic views is occasionally exaggerated and that his career has had ups and downs.

They argue that Mr Prodi's impending referendum on performance as prime minis- banks' excess foreign

He gave up only when he realised that Spain would not help him. His time as premier saw little progress with the reforms Italy needs

for stable government. carried out limited cuts in public spending.

Tax increases in the 1997 budget ensured that Italy could begin to meet the criteria for monetary union. But Mr Prodi's pensions reform of October 1997 had modest impact.

Third, Mr Prodi carried

Some Italians warn that through some big privatisations, but his Iri years have left him with a lingering faith in state planning. In October 1997, he promised a 35-hour week for Italy. Last year, he launched a scheme use European central



It took less than an hour for European Union leaders to appoint Romano Prodi as the next president of the European Commission - a decisiveness almost unknown in the tortured world of EU

reached agreement reflected a desire to set a swift seal on the shambles in Brussels following last week's mass res-

By Michael Smith in Berlin

Northern Ireland is expected

to keep big chunks of a spe-

cial European Union fund to

promote peace in the prov-

ince as part of a deal

between member countries

on regional aid that could be

The west coast of Ireland

also looks set to retain

access to the biggest

regional aid fund after a

agreed today.

ignation of the European Commission, including Jacques Santer, the president. In fact, had it not been for the drama in Europe's capi-

head of the EU's executive. would under normal circumstances, have had until June to mull over a clutch of wor-

to allow the region to be con-

sidered separately from the

rest of the republic, most of

As the 20-month talks on

regional aid near their cli-

max, heads of government

They must address Portu-

big issues to resolve.

which is more prosperous.

Brussels forced their hand -Mr Prodi was the right man, in the right place and at the right time.

"Buggins turn" factor was also at play. After Commis-Javier Solana, secretary- sion presidents from France general of Nato, was other- and Luxembourg, the next wise indisposed - yesterday one had to be from the south. After a politician politician from Spain or Europe's prime ministers ance bombers flew to Yugo- from a small member state, the successor had to be from a big one. After a Christian Democrat, a centre-left can-

Italy. Step forward Mr Prodi, a man whose credentials Gerhard Schröder, the German chancellor, called "incontestable and uncontested". Mr Schröder described the

Other candidates were countries a sweetener for Italian statesman as an expethin on the ground and the acceptance of the EU's rienced politician who had skills and ability to handle big organisations: he had unusual economic know office had been transparent,

enlargement into eastern shown his management Europe, a project for which they have little enthusiasm. The photofit candidate that resulted was a leftist ledge and experience and in open and close to the people. Above all - and given the

events in Brussels this was important - he was a man of great integrity. Mr Prodi still faces a grilling from parlia-

when we cut rates."

The OECD predicted there

monetary

OECD wants

and Tony Barber in Frankfurt

In its first report on the euro-zone since the launch of the single currency, the Organisation for Economic Co-operation and Development yesterday hinted broadly that the European Central Bank should loosen

its monetary policy.

The report focused on the worsening economic outlook rent level of 3 per cent," the for Europe since the euro was launched and the implications this would have for the policies of national governments.

Although the euro was launched in promising conditions, the report said: "The risks attached to the nearterm outlook are unusually large and mostly on the

But the OECD may be pushing at an open door. chief economist, used similar language yesterday when speaking to reporters in

Frankfurt. "Euro-area growth has slowed down considerably. The risks are on the down-

side," he said. Mr Issing hinted that the slowdown had caused the ECR to start thinking of cutting its benchmark refinancing interest rate. Alluding to recent ECB statements that interest rates would remain unchanged for the foreseeable future, he said: "The foreseeable future ends

The OECD report found that a successful single currency would require Europe to develop more flexible markets, tougher control of government borrowing and lower interest rates.

would still be slack in the euro-zone economy next year, which implied little need to tighten monetary policy because of incipient inflationary pressures. But financial problems in emerging market economies and weaker growth in the US and the UK could deal a fur- rity contributions.

dence and stall the eurozone's economic recovery.

"Given also that inflation currently falling. reflecting factors such as lower world commodity to the exchange rate appreciation, these factors may provide some further scope to ease the monetary policy interest rate below the cur-

report said.
The OECD's muted language on interest rates belies growing concern about the ECB's behaviour among the international financial institutions. The International Monetary Fund is expected to be more forthright in its call for lower rates in its twice annual review of the world

economy next month.

The OECD conceded, how-Otmar Issing, the ECB's ever, that the ECB had a tough job setting monetary policy in its early days, as it was unclear how the eurozone economy would react to

changes in interest rates. On fiscal policy, the OECD said many governments in the euro-zone would have to make "considerably more progress" pruning budget deficits to respect the limits in the stability and growth

Most countries need to run deficits of less than 1 per cent of national income (adjusted for the ups and downs of the economic cycle) if they are to be 95 per cent confident of keeping their deficits within the 3 per cent of national income limit laid down in the stability and growth pact, the report said. To meet the same criteria, Denmark, the to run modest, cyclically adjusted surpluses.

The OECD warned that tax competition was already eroding some government revenues, while there was also a need to reduce the burden placed on non-wage labour costs by social secu-

Less than an hour to choose Santer's successor

By Emma Tucker in Berlin

The speed with which they

tal, Mr Prodi might never have found himself at the

more so than ever as allislavia. Wim Kok. Dutch premier, had already said he wanted to complete his term. thy candidates, some argu- António Guterres the Portu- didate was preferable. No ably more suitable than Mr guese prime minister, has less important was the need Prodi. As it was the crisis in important elections looming. to offer the Mediterranean

Sweden and Finland are

also battling for their remote

regions to have access to the

main fund, called Objective

Heads of state must also

narrow the gap between

and the UK which want to

freeze regional aid at less

more, but accept the Euro-

the wake of the 1994 cease-

Expectations last night

fire and worth over €400m.

N Ireland set to benefit from regional aid deal

pean Commission's proposal for the next few years. of €239bn is no longer possi-The concession could however, complicate the UK's Northern Ireland has in campaign to win aid for the the past five years benefited Highlands and Islands of Scotland because of its from a peace and reconciliation fund set up by the EU in sparse population.

were that, despite the EU the rise in its economic prostreatment for the region 2000 to 2006, and nations austerity drive, Ireland perity prevents its automatic average.

decision by Eurostat, the around Lisbon, in danger of such as Spain that want would be provided with a access to Objective One similar, though retitled, fund funds.

Regional aid accounts for about 35 per cent of the EU's €85bn a year budget. Under the Commission's reform proposals, eligibility

for Objective One funds, about two-thirds of the total. Northern Ireland's total would be strictly limited to regional aid receipts are also regions where gross domeslikely to also decline because tic product per head was less than 75 per cent of the EU

International



financial Aff

EU's statistical organisation, losing regional aid access.

meeting in Berlin still have countries, including France

gal's demand for favourable than €200bn (\$218bn) from

news from European & Asian perspectives.



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Canberra plea for global finance reform

By Gwen Robinson and Hugh Carnegy in Canberra

Leading industrialised nations are neglecting urgently needed reforms to the international financial system and run the risk of a resurgence of economic crisis, a senior Australian minister warned yesterday.

"My big concern now would be if everyone said the Asian crisis is over, and yet, what concrete changes have been put in place since August 1997? We've had a lot of reports but we would like to see some concrete changes," said Peter Costello, the federal treasurer.

Mr Costello's views are echoed by other Australian officials worried that the Group of Seven (G7) leading industrial countries have lost interest in reform to the monetary system in the wake of the Asian, Brazilian and Russian crises.

lan MacFarlane, governor of the Reserve Bank of Australia, said there was a "danger that nothing much would be done until the next

Mr MacFarlane has been an advocate of international co-ordination on financial system reform. He was a force behind a recent government report which urged a pivotal role for the Group of 22 (G22) nations, thus including leading developing as well as industrial countries in the talks.

As part of Australia's gathering campaign to revive momentum, Mr Costello said in an interview he would tomorrow outline proposals to promote international financial system

The measures include steps to improve banking supervision, transparency and risk management, and private sector involvement in debt talks.

Mr Costello will make the proposals to a meeting in Melbourne of the Manila Framework group, set up in Manila in late 1997 after turmoil in regional currency

The group includes the US.



Costello: risk of renewed crisis affected by the economic cri

Australia is trying to persuade individual countries including the US and multilateral institutions, to push broader financial system reforms, including selective controls on capital flows and debt restructuring.

John Howard, Australia's nrime minister, sent a report to regional, US and European governments in December urging them to support 'short-term controls" on capital flows in emerging markets and closer monitoring of hedge fund activities.

Mr Costello said Australia's recent diplomatic initiatives were largely linked to the country's enhanced regional status because of its strong economic growth in the past two years.

The recent demise of the Group of 22, one of the only international forums which gave Australia input into international economic deliberations, had also spurred Canberra, he said.

Australian economic growth reached nearly 5 per cent last year, exceeding all forecasts, and would probably top 4 per cent in the current year, he added. Privately, senior Austra-

pean countries for sidelining the Group of 22 in favour of the European-dominated G7. Some said they feared the US administration was reluctant to intervene in currency markets last year because of the dominant position of big Japan and Asian countries US investment banks.

Shares tumble as **Bombay SE chief** ordered to resign

By Krishna Guha in Bombay

India's stock market regulator yesterday ordered the president of the Bombay Stock Exchange to resign, sending shares tumbling. The move against J.C. Parekh follows an investigation into stock market manipulation last year.

The benchmark BSE-30 index fell more than 100 points on the news, before recovering slightly to close down 74 points, or 2 per cent, at 3,682.

The Securities and Exchange Board of India (Sebi) said: "We have asked the BSE president to relinquish office in connection with an investigation into share dealing."

Sebi, which did not detail the reasons for its ruling. has also barred Mr Parekh from holding any public office in India's capital markets for three years.

The ruling is understood to relate to Sebi's nine- have performed strongly month investigation into alleged manipulation of ary 27, led the fall. shares in three popular stocks - BPL, Videocon and Sterlite. Shares in the three companies soared late last summer on unprecedented volumes before plummeting. prompting several stockbrokers to default.

Sebi launched a wide-rang- run in Indian stocks.

ing investigation, involving 34 brokers, a number of stock exchange officials and Harshad Mehta, a former stockbroker banned from the market for his role in earlier securities scams.

"It was a market manipulation, there is no doubt about that," said a stock market official.

Sebi has not published any evidence to suggest that Mr Parekh was involved in manipulating shares. Officials believe he is being held to account for failure to monitor speculators' positions, maintain adequate margins and report full information to the governing

board of the BSE. India's stock market reacted sharply yesterday as rumours of the decision reached dealing rooms at about 3pm. "I have never seen anything like it," said Graham Lappin, a stockbro-ker at ABN-Amro in Bombay. Software stocks, which since the budget on Febru-

Sentiment was also hit by the fall in other Asian markets earlier in the day. Some analysts believe that yesterday's slide heralds a wider bout of profit-taking, which would put at least a temporary end to the recent bull

GOLDMAN SACHS FUNDS

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te have the pheasure of divining you to altered the Annual General Meeting of hareholders, which will be field on April 2, 1999 at 3,00 p.m. at the offices of State treat Bank Luxembourg S.A., 47 Boutevard Royal, 1,2449 Luxembourg, with the

ANJENUA.

Prosoniation of the repairs of the Board of Directors and of the Auditors.

Approval of the balance sheet and the profit and loss account as of November 30, 1998 and the distribution of dividends.

Discharge to be granted to the Directors for the financial year ended November 30, 1998.

999 cition on nomination for the election of David B. Ford, Lord Briain Griffens of forestricin, Pater Danis Suthercand, John P. McNutry and Paul M. Achteriner as another and the ratification of the appointment of Artifur Anderson S.C.1. as any other business which may be properly brought before the meeting. he Shareholders are advised that no duantim for the tierns of the agenda is required, no that the decisions will be taken at the majority vote of the shares present or bresonted at the Meeting Each share is entitled to one vote. A shareholder may act

By order of the Board of Director

FEARS OF DEVALUATION INFLOWS COULD 'FALL BY A VERY BIG MARGIN' THIS YEAR

Foreign investment slows in China

By James Harding in Shanghal

Foreign investment in China as concerns about the faltering economy, the stability of the currency and tough business conditions weigh on investor confidence.

China yesterday reported a 9.5 per cent decline year-on- a very big margin" this year. year in actual foreign direct investment (FDI) in January and February, raising the likelihood that inward investment will fall this year for the first time in the

The ministry of foreign

trade and economic co-operation said contracted foreign investment, which Beijing has started to slow sharply hopes signals the long-term trend, rose by 17.5 per cent year-on-year to \$5,513bm. But the nearly 10 per cent fall in actual investment prompted one official to concede that actual inflows could "fall by

> China's rapid economic growth over the past decade has been helped by unrivalled inflows of foreign direct investment, which have grown from \$3.4bn in 1990 to \$45.6bn last vear.

However, the weakness of

domestic demand, oversupply in most industrial sectors and a squeeze on corporate margins have depressed international enthusiasm for investing in China.

In addition, concerns that Beijing may in fact devalue the renminbi, in spite of repeated promises to hold the Chinese currency steady. have acted as a further disincentive to foreign companies. Many businesses say privately they are holding off making a commitment, believing they may be able to get more value from a foreign currency investment if

they wait for a depreciation. China's FDI growth was flat last year as the Asian crisis knocked out many investors from the region, but rising inflows from the US and Europe prevented a

plunge in the numbers. The figures yesterday also suggested a growing divergence between the amount of money pledged by foreign investors and actual sums that arrive. The foreign trade ministry said accumulated FDI in China reached \$271.7bn by the end of February, while total contracted

Zhao Jinping, an economist at the government's Development Research Centre, was quoted yesterday as saying that actual foreign direct investment could fall to \$35bn-\$40bn in 1999. However. Beijing officials privately suggest the real inflows could prove to be

much lower. Zhu Rongji, the prime minister, is due to go to Washington early next month. where China's bid to join the World Trade Organisation is expected to lead the agenda.

Comment and Analysis, Page 15

Malaysia's economic upturn fails to convince

Sheila McNulty

finds doubts that renewed turmoil can be avoided without real reform

alaysian car sales are soaring, imports have stopped falling and spreads on bonds are dropping. So it is not surprising that some analysts feel sure that the long-awaited recov-

ery has arrived. "The trade figures for December show a key turning point, with exports up by about 15 per cent in US\$ terms - the best performance since the crisis began." says Neil Saker, head of economic research at

SG Securities. But others remain unconvinced, noting that while such data are comforting, they should not be confused with evidence of a sustainable recovery. One need only look at Japan to know that, without taking politically unpopular steps forcing poorly managed banks and corporations to suffer the consequences of inadequate credit analysis and overborrowing, nothing will prevent them from repeating mistakes and pulling the country back into recession

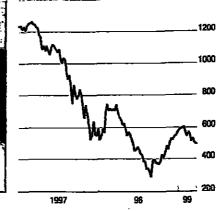
lian officials blame Euroonce this crisis has passed. Yet Malaysia is doing its utmost to rescue every bank and company, buying nonperforming loans from banks, recapitalising them lend feverishly again to

revive the economy. Kate O'Donoghue, regional economist at Barclays Capibanks did not respond to threats last year that heads of institutions would be sacked for failing to produce 8 per cent annual loan short of that target. "The situation is less than optimal for banks, but it's not as bad as it could be," she says.

But the pressure remains. Moody's Investors Service believes attempts to bring back growth by instructing banks to lend more will only lead to additional loan losses. The reclassification of non-performing loans to months, instead of the internationally accepted three,

Exports





Business likes stable forex, but fears the bureaucracy

The prime beneficiaries of Malaysia's decision to impose capital controls and withdraw the currency from international circulation and peg it at M\$3.8 to the US dollar turned out to be foreign direct investors. Sheila McNulty reports.

They no longer have to contend with wide swings in the exchange rate, which had made it difficult to plan as they normally do 18 to 36 months in advance.

predict and forecast," says Yap Peng Hooi, managing

German semiconductor company, in Malaysia. That said, even these investors want the controls lifted. They brought

director of Siemens, the

increased bureaucracy that serves as a deterrent to more of the investment that has long fueled Malaysia's economy from the free-industrial zones of Penang state. Before the controls on capital flows, for example, investors say central bank approval on them was regarded a formality, so banks automatically

But afterwards some banks became unwilling to act until they received approval, stretching the process sometimes 10 days. investor concerns co beyond heightened bureaucracy to the

executed company orders.

perception that Malaysia is more restrictive than its neighbours. "It will be another negative factor in the equation," says Tan Beng Teik, managing director of Integrated Device Technology, the US semiconductor maker.

and then putting pressure on makes it more difficult to haven't seen spectacular ter used elsewhere. the same errant managers to assess strains. Yet bankers bankruptcies." Most compa- standing debt remains huge. say they have been told to nies are waiting for the govreschedule company debts to ernment to save them. The largest rescue has

keep them from going under. There have been attempts tal Singapore, notes that the to restructure, such as Sime Darby's abandonment of banking, and some foreign purchases, such as British Telecom's acquisition of a stake in Binariang. But growth, in fact falling far many economists remain unconvinced the corporate sector has been suitably dealt with.

"I don't think there are enough reported restructurings relative to the size of the problem," says Kostas Panagiotou, senior economist at Kim Eng Securities. "When you have such a severe recession, with the economy contracting 6 to 7 those in default for six per cent, and you know the corporate sector is highly geared, it's surprising we

been of government-linked Renong. Malaysia's biggest corporate debtor. In October it unveiled a plan to address its M\$28bn (\$7.4bn) in borrowings - about 5 per cent of banking system loans that included the government backing M\$10bn in Renong bonds. Months later it produced a new plan that did not contain controversial direct backing from the government, but analysts said maintained assistance in the form of pressure on institutions to buy the bonds and

Renong's toll operations. But economists' biggest complaint is that so much money is tied up buying bonds when it could be bet-

extended concessions on

In December 1998, economists say, domestic private sector bank debt was MS454bn, up from MS447.6bn in December 1997. As a ratio

of gross domestic product.

they say, debt might surpass

the enormous 162 per cent

recorded at the end of 1997. depending on 1998 GDP. Economists, therefore, do not expect much new domestic investment and, given over-capacity in Malaysia, there is little impetus for outside investment. Malaysia has not encouraged it, refusing to loosen restrictions on foreign ownership in strategic industries such

as banking, and imposing controls. In September, Malaysia withdrew the currency from international circulation. placed controls on capital

flows, trapped foreign money in the stock market for a year and froze what amounts to billions of dollars in Malaysian-listed shares that had been traded over-thecounter in Singapore.

"The Malaysian government's introduction of currency and capital controls discourages new inward investment, which in turn cuts off a source of funds for companies - the borrowercustomers of the local banks that urgently need either to invest or restructure their liabilities," Moody's says. "It also hampers the ability of the banks themselves to raise much-needed capital from foreign sources."

Although the government recently permitted foreigners to withdraw investments before a year if they pay hefty exit taxes, most are waiting the 12 months to incur fewer losses. And they are not committing new money. "We're negative on Malaysia," says Hugh Young, managing director of Aberdeen Asset Management Asia. "It's just not applying the right policies."

Daim Zainuddin, finance minister, declined to respond to these concerns. Perhaps his biggest worry should not, in any case, be how foreign investors view Malaysia but how they see it relative to neighbours which can be seen to be implementing reforms. No matter how convincing the results of Malaysia's policies, reforms in countries nearby will make investors more confident about looking elsewhere.

Deadly disease spreads

By T.J. Tan in Kuala Lumpur

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encephalitis has spread to the East Malaysian state of Sabah on Borneo island. with two people contracting

The viral disease, which is carried by pigs and spreads to humans via mosquitoes. has killed 58 people - mainly pig farmers - since the outbreak started in October. Until now the disease has been confined to peninsular Malaysia, health officials

The authorities bave been struggling to contain the disease, which attacks the brain in humans.

They have evacuated some 2.900 villagers in Lukut district in Negri Sembilan state, about 100km south of the capital, Kuala Lumpur, as the army started killing over 320,000 pigs (15 per cent of the national pig stocks) in the area to stamp it out. Lukut, which lies in the heart of Malaysia's pig breeding industry, is the worst-affected area.

According to the Federation of Livestock Farmers' Associations, half of the country's 1.800 pig farms may have to shut down as pork consumption and prices

It is urging the country's om Chinese - 26 per cent of the population of the mainly Moslem country - to make a point of buying pork every day to save the M\$1.5bn (US\$395m) pig farming industry. The government does not plan to compensate farmers for pigs slaughtered. The Malaysian Chinese

Association, a member of the ruling coalition, has started a pork-eating campaign, and a fund set up last week to help pig farmers has attracted M\$1.2m in donations from the public.

Taiwan said yesterday that it was tightening customs checks on travellers from south-east Asia because of the outbreak and was discouraging farm visits to Malaysia.

It is also tightening inspections on animal and plant products from the region and cracking down on meat smuggling.

Singapore has banned imports of pigs and horses from Malaysia after an abattoir worker on the island died from suspected Japanese encephalitis. Pig exports to Singapore are worth over M\$300m a

Representatives of Chinese organisations, human rights groups and pig farmers pro-tested yesterday outside the health ministry, urging the government to speed up the culling of pigs and provide compensation to farmers for pigs killed.

Sea escape prompts call to boost navy in Japan

By Michiyo Nakamoto in Tokyo

Calls for Japan to strengthen its self-defence capabilities increased yesterday after Japanese forces gave up pursuit of two unidentified ships which had intruded into Japanese territory.

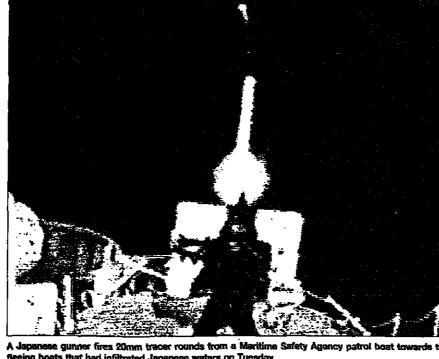
Keizo Obuchi, the prime

minister, said the govern-

ment would consider strengthening Japan's ability to respond to aggression. "I am sorry to say the measures taken did not result in the carrying out of orders to stop and inspect the ships. But... it clearly demonstrates the nation's will to secure its safety. These incidents could occur at any time, and it is important for the government to be united

Japanese destroyers gave up their pursuit of the two ships yesterday afternoon dropped over 10 bombs near when they sailed out of the the ships. Under Japanese Japanese air defence identification zone in the direction of North Korea.

The ships, disguised as Japanese fishing vessels, had members of the ruling party wandered into Japanese are calling for a review of waters and had refused to these restrictions. A number stop even after repeated warning shots and the drop- Japan reserve the right to a ballistic missile defence



ping of bombs near them. The Japanese government's unusually prompt and decisive action against the two ships was criticised in responding to them," Mr by some opposition politicians as unnecessarily rash. The defence force fired more than 1,200 warning shots and self-defence rules, the defence force can fire at an enemy only if the Japanese

launch pre-emptive strikes against a potential enemy.

not in place" to deal with a serious emergency situation, said Ichiro Ozawa, leader of the Liberal party, the junior government partner to the Liberal Democratic party. The latest incident comes

in the wake of a series of incidents involving North Korea, Last August, North Korea launched a missile are attacked first. Some across Japanese territory, prompting the Japanese government to decide to launch four surveillance have even advocated that satellites and jointly develop strengthen Japan's support

system with the US.

North Korean agents are believed to be behind a series of kidnappings of Japanese citizens, bodies of North Korean military officers have washed up mysteriously along Japan's western coast and North Korean ships are believed to have been involved in attempts to smuggle a stimulants into Japan last year.

The scare over the ships also comes as the Japanese Diet remains divided over new legislation the government wants to pass to for US forces.

Indian women outraged by rape insurance

By Amy Louise Kazmin in New Deltai

India's state-owned General Insurance Corporation (GIC) has been forced to drop a reference to rape in a new catch-all women's accident dents, "It's an atrocious insurance policy following idea," says Kirti Singh, an an outcry from women's groups appalled by the idea of the government selling ation. "rape insurance". Under the terms of the pol-

cy announced by the Bombay-based company last week, women between the ages of 10 and 75 can pay a premium of 15 rupees (35 US cents) a year for a policy that would compensate them for death, disability or other damage incurred as a result of various accidents, including snakebite and drowning. The policy, formally launched by Atal Behari Vajpavee, the prime minister, also specified that women could be compensated for disabilities result-

ing from rape. It is a policy marketed for indian housewives with a very low premium base to cover some of the incidents that happen in day-to-day life," says R.K. Joshi, assistant general manager of GIC. He said rape was specifically included in the policy stood".

because it is "one of the eventualities".

However, women's groups in the Indian capital condemned the proposal, which they said inappropriately equated rape with other acciattorney for the All India Democratic Women's Associ-

instead of taking steps to prevent rape, she says, the government is essentially telling women to "accept the fact that it's there, and deal with it."

Indian women's groups have been pressing for stronger rape laws that would guarantee some funds for rape victims, either through penalising convicted rapists or through a government

"You are setting a precedent which says a women has to pay to rehabilitate herself," says Brinda Karat, of the All India Women's Democratic Association.

The outcry prompted the GIC to rethink its plans, and Mr Joshi says the company now plans to "delete the word rape". However, he defended the idea of compensating rape victims, saying it had been "wrongly under-

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CONTROL AND ASSESSED.

torate, battered by seven years of violence and deteriorating social conditions. Although some of the regime's strongest critics are

Out of more than 40 aspir.

By Route Khalet, Middle East Correspondent, in London

Candidates for Algeria's

April 15 presidential elec-tions today begin three

weeks of official campaign-

ing to lure a sceptical elec-

Candidates struggle to rouse Algerian voters ing candidates, seven have been declared eligible to run this setback for Mr Bouteby Algeria's constitutional flika and promises of faircouncil. Much of the attention has so far centred on Abdelaziz Bouteflika, the former foreign minister believed to be backed by a large section of the military

Mr Bouteflika's election was supposed to have been assured because he is backed

ness by outgoing president Liamine Zeroual leave them with some hope for a free election. Three other leading con-

PRESIDENTIAL POLL THE ELECTORATE IS SCEPTICAL AFTER RECENT ELECTIONS ENSURED VICTORY FOR PRO-REGIME PARTIES ONLY

tenders have been opponents of the regime and have consistently called for a political solution to Algeria's crisis hold a free poll.

1970s, is likely to win the largest part of the Islamist vote. The Islamic Salvation Front (FIS), the banned party that was stripped of an cern over the violence in electoral victory in 1992, is quietly backing him.

Mouloud Hamrouche, the former prime minister and leader of the reformist wing small legal Islamist party; of the National Liberation Front (FLN), the former rul-ing party, is calling for radical reform of the system. He is winning the support of

Hocine Ait Ahmad, leader who held ministerial posts of the Socialist Forces Front

regime of the 1960s and lar opposition party, has out in their favour to been the most outspoken opponent of the regime and has played a significant role in raising international con-

Algeria. The three remaining can didates are Abdallah Jaballah, a former leader of a Mokdad Sifi, a former prime minister, and Youssef Khatib. Mr Zeroual's campaign nager in 1995.

Raising the interest of Algerian voters in the election is essential. Analysts say opposition candidates

West Bank and Gaza Strip

Total Investment

900 _ Total private investmen

- "- Public Investmen

counter temptations of manipulation of the results, even with extra safeguards

decreed by Mr Zeroual. Meanwhile, given the population's general disillusionment with the governmen and the aggravation of social problems following economic reforms, analysts say that for Mr Bouteflika to be elected in a credible poll he will need to break free of being identified as the regime candidate and convince Algerians he can lead them out of their seven-year

ling foreign reserves.

SOUTH AFRICA Boesak jailed for six years

port the naira. William Wallis, Lagos

Alian Boesak, one of South Africa's best known anti-apartheld fighters, was sentenced yesterday to six years in jail for theft and traud involving money given by foreign donors including US musician Paul Simon and a Swedish

NEWS DIGEST

Nigeria bows to pressure

Nigeria's central bank succumbed yesterday to long-term

pressure on the currency, devaluing the naira by 4.2 per cent. The fall from N86.25 to the dollar to N90 will be wel-

have long argued that the naira was pegged at an artifi-

cially high rate, detrimental to the competitiveness of

Nigerian non-oil exports. But analysts say that if the

elected government - due to be in office by May -

comed by the International Monetary Fund, whose officials

respects the new autonomy of the central bank it could be

only the start of a painful depreciation.

For more than six months the naira has been pegged at

ducts a weekly managed foreign currency auction, said the

86 to the dollar. Officials at the central bank, which con-

decision to devalue was prompted by excess liquidity in the banking system and an attempt to reduce the parallel

market premium. It may also reflect concern over dwind-

already been accounted for. Finance officials say that in recent months the reserves have been freely used to sup-

These stand at about \$6bn, but much of that has

and devalues currency

ANALYSTS FEAR FURTHER FALLS

government aid agency.

Boesak and Archbishop Desmond Tutu were among the most prominent campaigners against white minority rule who stayed in South Africa during the last years of apartheid, which ended in 1994. As head of the Geneva-based World Alliance of Reformed Churches, Boesak also led the successful effort in 1982 to have apartheid declared a heresy, striking directly at what many white Afrikaners believed at the time was a deep religious justification for white domination.

Boesak, who lost his job as South African ambassador to the United Nations when the scandal broke, said he would appeal. Nicholas Shaxson, Cape Town

israeli strikes

Unions step up wage pressure

Israel was yesterday paralysed by public sector strikes which hit transport, schools, hospitals and ministries, as the trade union federation stepped up pressure for higher wages. Amir Peretz, head of the Histadrut union who is also leading his own Workers' party in the May elections, is seeking at least an 8 per cent wage increase over inflation, which was 8.6 per cent last year.

The finance ministry said it was prepared to offer an increase of 3.85 per cent to reflect the continuing fall in inflation. Consumer prices dropped last month by 0.8 per

cent, the biggest fall for 13 years. The strikes, the second in a week, have been criticised by Benjamin Netanyahu, Israeli prime minister, as a political ploy by Mr Peretz to gain support ahead of the elections. Judy Dempsey, Jerusalem

taking part in the two-round by several parties close to country to the rule of law. Their participation has lent ballot, the 17m voters have the regime. But his camfresh memories of recent paign has run into trouble as credibility to the election elections that ensured victhe parties behind him have and added to pressures to tory for pro-regime parties suffered internal splits, sug-gesting divisions within the Algeria's youth. Ahmad Taleb Ibrahimi. regime over his candidacy.

Young Palestinian entrepreneurs shun

Arafat's anachronistic political economy Judy Dempsey reports from Ramallah in the West Bank on disillusionment among

children of the intifada with the PLO regime the kind of Palestinian the World Bank wanted to return home to help

rebuild the economy. Born in Ramallah, a bustling Palestinian city north of Jerusalem, Mr Salaam left when he was 18, studied in the US and for the past 15 years divided his time between running a small consultancy company and a

crafts shop in Boston. His friends who stayed behind joined the intifada, or tional Monetary Fund, uprising, against Israeli occupation, hoping the out- to catapult this small Arab come would give this economy into the 21st cenyounger generation of Pales- tury. After all, the PA was tinians the chance to shape a backed by donors disbursnew society. When the inti- ing, over a five year period, fada ended in 1993, Mr \$2bn of aid. It also had a Salaam returned to help vibrant entrepreneurial diashis friends establish a pora.

business. But as Yassir Arafat, Palestinian Authority (PA) presdeclare unilaterally an independent state on May 4, Mr Salaam and his friends are packing their bags. They do not, they said, want to continue living under the PA.

halil Salaam is exactly the revolution has been betrayed," said Sami Amassi, 29, a friend of Mr Salaam. "The economy and society we wanted to build after the intifada has been hijacked by Arafat and his outsiders. Those who stayed

behind and fought have been

marginalised."

When Mr Arafat returned to Gaza from exile in Tunis in 1994, the international community, particularly the World Bank and the Internabelieved there was a chance

'We knew about the Israeli closures on the West Bank and Gaza, how Israel tions to encourage the dias- of rule at a time when even pora to return, invest, consolidate civil society.'

Instead, said Moshe Moaz, Middle East expert at the Hebrew University's Truman Institute, Mr Arafat reverted to the centralised, socialist ideology of the 1960s that swept across the Middle East in the wake of the post-colonial period.

"These economies were highly centralised, with

Instead of capitalising on the energy unleashed by the intifada, Mr Arafat, say critics, hijacked it

hands of the leader, backed by the security forces," he

power concentrated in the

Syria is considering eco nomic reforms. "The people around Arafat are either ideologues, educated in Egypt in the 1960s under the Nasser regime, or are simply interested in power, determined to destroy the revolution the intifada tried to make." he added.

That revolution, explained Mr Amassi, involved more than ending Israeli occupation. It entailed shifting power away from the traditional landed families, to a younger, educated generation, including women, from cities and villages. It was, he said, a chance to democratise Palestinian society. Yet on his return to Gaza,

instead of capitalising on the energy unleashed by the intifada, Mr Arafat, say critics, hijacked it, Glenn Robinson, veteran academic on Palestine, noted in his recent book - Building a Palestinian State: the Incomplete Revolution - the PLO elite that took power in Palestine the new elite through co-op-

1969 71 73 75 77 79 81 83 85 87 89 91 er Statistical Abstracts of Issuet: World Burd: Biff Palestinian Authority" In doing so, the PA's control of power has exacted a heavy toll on private investment and institution building. Between 1993 and 1997. real private investment is estimated to have declined by an average of 10 per cent

a year, while private invest-

ment's share in gross domes-

tic product has declined

from 19 per cent in 1993 to 10 per cent in 1997. IMF officials blame Israel's policy of blocking free movement of Palestinian goods and people. But increasingly, they criticise the PA's interference in the private sector, with investors complaining how PA-controlled holding companies try to take a 25 per cent stake in large forelgn investments

No effort, add investors. has been made to unify the (Jordanian) West Bank and

(Egyptian) Gaza legal systems, a move that would provide judicial consistency, over, for example, property

rights and licences. The IMF has also criticised the PA's refusal to consolidate the budget, which excludes at least an annual \$100m it receives from Israel in excise payments. Profits and excise duties from the petroleum, tobacco and cement monopolies controlled by Mohammad Rashid, Mr Arafat's economic adviser, go unre-

corded, said a US official. "There is minimum accountability, minimum transparency, minimum rule of law," he said.

That is why, said Mr Salaam and his friends, they are going abroad. "We'll return when Arafat's own revolution has run its course," said Mr Amassi



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Indian won outraged by rape insura

Months of legal battle still ahead

By Andrew Parker and Jimmy Burns in London

Jack Straw, the British home secretary (internal affairs minister), is likely to give a fresh authorisation for a UK court to consider extradition proceedings against Augusto Pinochet, the former Chilean dictator. Government officials say

he is not expected to reverse his original decision last December to give the courts an "authority to proceed"

Mr Straw will, however, whether that authorisation is still valid in the light of the new Law Lords' ruling. But officials said yesterday it was difficult to see how he would reverse his original decision because the Law Lords had concluded, by a Gen Pinochet still faced extraditable charges.

The officials said that at to issue a new authority to proceed, based on the reduced number of extraditable charges. "If every charge had been excluded that would be different matter. There are some remaining," an official said.

said Mr Straw would reconsider the case in the light of

"The home secretary will. general principles of fairness .. He will try to deal with this as swiftly as possible," the spokesman said.

The government has strugrequest. Shortly after Gen return to Chile.

Pinochet's arrest in London last October, another British minister said it was "gut wrenching" to see the former dictator claiming diplomatic immunity.

In the House of Commons, parliamentarians from the governing Labour party cheered when told that the Law Lords had decided Gen Pinochet did not enjoy immunity as a former head of state. He is the bete noire of many Labour MPs.

However. Norman Fowler, with consideration of the a spokesman for the opposi-Spanish extradition request. tion Conservative party, said: "The Law Lords have formally have to decide said that in view of the very substantial reduction in the number of extraditable charges, the home secretary will need to reconsider the matter. The home secretary should do so without delay and recognise that it is now overwhelmingly in the pubmajority of six to one, that lic interest for this case to be bought to an end and for the senator to return to Chile. The alternative is that we worst Mr Straw would have have protracted legal proceedings dragging on for

month after month. Mr Straw will continue to face pressure from pro- and anti-Pinochet MPs.

Ann Clwvd, the leftwing Labour chair of the parliamentary human rights A Home Office spokesman groups, said: "This was a good majority verdict that Pinochet can be extradited the new ruling by the Law and some of the charges Lords "which covers holding. I would hope that extremely complicated legal this will help Jack Straw's resolve not to let him go.'

She said that if legal as in all individual extradi- moves to bring Gen Pinochet tion decisions, be guided by to trial in Spain failed, she would back efforts to take cases against the former dictator to the European Court of Human Rights.

Lord Lamont, a former gled to insist that Mr Straw Conservative minister and a is not allowing political con- supporter of Gen Pinochet, siderations to influence his said he wanted Mr Straw to quasi-judicial decision about stop all further legal prothe Spanish extradition ceedings and allow him to



SPANISH REACTION

pyrrhic victory for Madrid

The Law Lords' decision partially supporting the Spanish case against Augusto Pinochet was a victory the Madrid government would rather not have won. Since the Chilean ex-president's arrest in London last October at the request of a

Spanish investigating magistrate, the centre-right government has found itself in the uncomfortable position of pursuing an extradition case against its own The state prosecutor's

office tried several times to block the magistrate's efforts, but without success. Eventually the government decided it had no alternative but to submit a formal petition for extradition. As the complex process swung back into motion yes-

terday, the Law Lords' deci-sion revived Spanish anxieties about the impact on relations and business links with Chile. Whether or not Gen Pino-

chet is finally sent to Spain. the case will cast a shadow over defence contracts and big Spanish investments ranging from banking to telecommunications. The long-delayed finding

on Gen Pinochet's claim to immunity has come at a particularly awkward moment for Endesa, Spain's leading power company, in the midst of a controversial bid to gain a dominant position in Chile's electricity industry.

The Spanish company will make a second attempt next week to win approval from shareholders of Chile's Enersis conglomerate for a plan which would allow it to double its existing stake and other crimes covered by Spanish criminal lawyer.

Spanish legal experts Experts said Mr Garzón expect the Pinochet case to could invoke the UN Condrag on in the UK for at least several months before it is decided whether the former dictator can be sent to Spain and committed for

Baltasar Garzón, the investigating magistrate, is expected to maintain his charges. despite the Law Lords' decision to rule out torture cases before 1988, when the UN's Convention against Torture was ratified by both Chile and the UK. This leaves only a few cases in the last year and a half of Gen Pinochet's

17-year rule. Spanish law specifically provides for jurisdiction no matter where crimes are committed, by whom or against whom - in cases of genocide, terrorism and

the UK ratified in the early Experts said the case was breaking new ground in testing whether a country could try aliens for certain crimes committed against other

of Hostages, which Chile and

international

aliens in another country. One precedent exists in a civil case brought in the US against a Paraguayan police officer, for the death in 1976 of the teenage son of a doctor and human rights activist, allegedly under torture. The complaint was initially dismissed, but upheld in an appeal in 1980, by when the

to Paraguay. "What we are seeing here is absolutely new," said one CHILEANS REACT PROTESTS IN SANTIAGO

Judges' votes greeted like football goals

and Jimmy Burns in London

Supporters and opponents of General Augusto Pinochet both claimed victory yesterday as the former Chilean president faced a continuing British embassies. legal battle to decide his

In Santiago, a handful of arrests were made in the city centre as police turned water cannons on students welcoming the verdict.

Outside the Houses of Parliament in London, some 200 anti-Pinochet demonstrators danced jubilantly as they heard the Law Lords' verdict as it came over their transistor radios. The votes of the judges were greeted like goals of a crucial football match.

"The ruling maintains the principle that violations against humanity are an extraditable offence and we should celebrate that," said Edmundo Garcia, one of the

Another, Jimena Lopez, said: "I am just so happy. It has been so long for all of us, but now we can have jus-

However, Patrick Robertvention against the Taking son, the personal adviser to General Pinochet in the international campaign to have him freed, said the forpresident was mer "delighted" that most of the charges against him had been dropped.

"He is concerned that he remains under detention but we will fight on to ensure his safe return to Chile."

Pro-Pinochet campaigners said that the ruling had come as no surprise and had greatly strengthened the former president's chances of eventually being able to return to his country.

Police in Santiago reported accused man had fled back scuffles as Pinochet supporters demonstrated outside the British Embassy over what they saw as the ambiguous nature of the verdict. But

there were no arrests. Opponents of the former dictator marched through the streets of central Santiago.

Further demonstrations were expected later in the day outside the Spanish and

The Chilean government appealed to the population to "act with maturity" over the next few days as it consulted lawyers on the implications of the ruling.

Jorge Arrate, government general secretary, said: "We are asking Chileans from all sides to receive this latest news with tranquillity".

Hernan Briones, president of the Pinochet Foundation called on the government to intervene in the extradition process to ensure "the speedy return of Gen Pino-

"This is the only way that we can re-establish normality in the function of Chilean institutions," he said.

Legal experts have predicted that the administration of President Eduardo Frei will also come under pressure from military leaders to defend the state's sovereign rights in what is now a political case.

Hernan Montealegre, a leading Santiago lawyer, said the ruling meant Gen Pinochet had been legally detained in London and could continue under detention within the law.

However, he described it as "a scandal that crimes had been committed" by the military government after 1988, when the country had already voted for democratic elections and an end to the dictatorship.

"This means that we had a government that was so committed to torture that there were cases after 1988," he claimed.

The Santiago Bolsa (stock exchange) fell sharply immerecovered in mid-day trad-

THE AMERICAS

Sharp decline in US durable goods orders

By Gautam Malkani in Washington

Orders for US durable goods recorded their biggest drop in seven years last month, tions of a pick-up in manu-

The 5 per cent fall to \$191.8bn in February marked the first decrease since October, the Commerce Department said yesterday. Analysts had expected a drop of 2-2.4 per cent.

The largest decrease was recorded by the volatile transport sector, down 14.3 per cent to \$44.9bn, led by an expected fall in aircraft demand following a 13.5 per cent rise in January. A surprisingly big drop in orders for electronic components pushed the electronic equipment category down 8.5 per

Excluding transportation, new orders fell 1.7 per cent, also the first decline since

vev earlier this month by the National Association for Purchasing Management, suggesting that factories long held back by weak export economies were showing growth after eight

David Greenlaw, economist at Morgan Stanley Dean Witter, said falling demand for aircraft reflected the unwinding of previous increases that did not recur every month. But he was surprised by a fall in motor vehicle orders in light of recent strong sales.

He said that while defence orders fell 38 per cent, they were expected to swing the other way in coming months because of planned increases in military spending.

Dave Huether, director of economic analysis at the National Association of Manufacturers, also suggested yesterday's data did not necessarily point to a weakening manufacturing sector.

gauge of future production since new orders can be filled out of existing invento-Unfilled orders only fell 0.4

per cent in February. Ian Shepherdson, chief US economist at High Frequency Economics, said the figure should not be read as a sign of industrial weakness, pointing out that in the three months to February orders rose at an annualised rate of 14 per cent, or 10 per cent excluding transporta-

The Commerce Department also said shipments of durable goods fell 0.1 per cent to \$194bn in February the second monthly decrease following seven consecutive increases last year. New orders of industrial machinery and equipment were also by 0.4 per cent to \$37.1bn. January's 3.3 per cent rise in new orders was revised down from 3.9 per cent.

US stands in way of global accounts rules

The final, and toughest. hurdle in efforts to produce a single set of global accounting rules is now in sight - namely, persuading US securities regulators to make what amounts to a giant compromise for the sake of international standardisation.

But even though desirable in principle, this may still be an idea ahead of its time, to judge by the reactions at a conference on the subject earlier this week, attended by many US accountants and corporate executives.

The US Securities and Exchange Commission has just launched a formal review of the accounting rules established by a global group, the International Accounting Standards Committee (IASC). The US and Canada are the only large countries that do not already allow foreign companies which comply with the LASC insists on the use of its body of rules that represent the toughest financial reporting regime in the

The IASC has spent the past four years trying to produce a set of rules that are tough enough to change the SEC's mind.

There is certainly demand for such a move. "Global standards are inevitable." Philip Ameen, comptroller at General Electric, said at the conference in New York this week, organised by the Conference Board. "We, like every multinational, have an incentive and we will certainly embrace them."

The question, though, is whether the SEC is ready to see things this way. The international stan-

standards to raise capital in chairman of the Financial their markets. The US Accounting Standards insists on the use of its Board, said after addressing GAAP (generally accepted the conference. US compaaccounting principles) - a nies would object to allowing foreign competitors into their domestic financial market on easier terms.

Meanwhile, with the US financial markets in fine shape - and foreign companies rushing to raise money in New York - US regulators have little incentive to make concessions. In addition, the lack of harmonised accounting had not stopped the rest of the world beating a path to the US markets, said Mr

Staff members of the SEC are unwilling to prejudge the outcome of their review of the IASC rules, but their comments suggest the bar has been set at a high level. Nearly half of the interna-

tional standards had yet to come into force and so dards were still looser than remained untested, said those already in force in the Mary Tokar, a senior SEC US, James Leisenring, vice- accountant.

Hedge **funds** warned of curbs

By Richard Wolffe in Washington

The US House of Representatives yesterday warned it would consider direct regulation of the hedge fund industry if measures to supervise the industry indirectly - through the banking system - failed. Members of the House

financial institutions subcommittee urged banks to improve their scrutiny of hedge fund risks in the wake of the near-collapse of Long-Term Capital Management last year. Marge Roukema, chair-

woman of the committee; welcomed bank regulators' efforts to step up their supervision of bank lending to hedge funds. She said: "Quite frankly, I think indirect regulation, through regulation of the banks and securities firms, should be given an opportunity to work. I am somewhat worried that direct regulation will lead to hedge funds going offshore.

"I want to make it clear, however, that if indirect regulation does not work, I am willing to look at the direct regulation of bedge funds." The warnings yesterday follow indications from influential House members earlier this month that they were considering a range of measures - from new legislation to tighter regulation to tackle the risks posed by hedge funds to the international banking system.

However, bank regulators repeated their insistence yesterday that any efforts to regulate hedge funds would force the funds to move off-

Instead, William McDonough, president of the Federal Reserve Bank of New York, urged banks to improve their analysis of Hedge funds' activities are largely unsupervised. However, US regulators issued strict guidelines governing bank dealings with them

Sanctions waiver sought over Iran

Pressure is building on the Clinton administration for a one-time walver of sanctions against Iran to allow the sale of wheat, maize sugar and other agricultural products worth \$500m to the country.

The US Senate this week unanimously passed a resolution asking the administration to approve the sale. Senator Larry Craig, an Idaho Republican who sponsored the resolution with Senator Byron Dorgan, a Democrat, said: "It is high time for the administration to act."

Low prices and bad weather are driving many US farmers into bankruptcy. and Washington is searching for ways to help them. At the same time the administration has been looking for unobjectionable ways to improve economic relations with Iran

Richard Bliss, president of Niki Trading Company, which secured the contract with Iran, said he expected approval in the next two weeks.

The proposal is for the sale of 2m tonnes of wheat, 400,000 tonnes each of malze and sugar, 300,000 tonnes of rice and "significant quantities" of soyabean oil and meal.

"This would be a small step on both sides to try to show goodwill in a costless way," said Dan Byman of Rand Corporation, a US think tank. However, it could not be assumed that Iran's acceptance of the deal indicated a significant policy

Meanwhile, there were other moves yesterday on Capitol Hill to reduce the impact of sanctions imposed for foreign policy purposes. Twenty-seven senators. hedge fund operations, including Trent Lott, Senate majority leader, announced support for the Sanctions Process Reform Act, which would exclude food and medicine exports from the US sanctions arsenal.

Mexican bank chief signals shake-up for battered sector

The doors to foreign institutions may also be opened wider, write Henry Tricks, Richard Lapper and William Dawkins

country's banking sector this year and said that a merger between the two biggest banks was possible.

Guillermo Ortiz said in an interview with the Financial Times this week that foreign banks might also step up their presence in Mexico, which could involve the acquisition of stakes in Bancomer and Banamex, the two

leading banks. That would be a significant change in a country that has lagged behind other Latin American markets in attracting foreign participation as their economies develop. Only about 15 per cent of the banking system is controlled by foreign America this year, but its capitalise the system going

that Banamex and Bancomer talks, Mr Ortiz said: "We

He also forecast a turna sharp slowdown in the last three months of 1998, partly authorities. as a result of stronger

growth in the US. already beginning to see an whether consolidation in the upturn," Mr Ortiz said. "The economy is bottoming out The Mexican economy is

banks are still recovering forward."

exico's central bank cent in Argentina, for examgovernor has forecast ple.

Referring to speculation

rom the financial crisis of 1995 and are among the weakest in the region. Referring to speculation weakest in the region.

Mr Ortiz said potential this year. were in preliminary merger advantages of a merger would be "huge cost savings have had informal notice and increased efficiency". that there may be that inten- On the other hand it would give one bank control of about 40 per cent of loans round in overall economic and deposits in the banking performance in Mexico after system and might be opposed by competition

The bank governor said it would be a mistake for "My view is that we are authorities to decide sector should come from domestic mergers or foreign takeovers. But he said it was clear that "recomposition widely expected to be one of had to take place. We obvithe best performing in Latin ously need to strengthen and

staged a sharp recovery since the government won congressional agreement in December over a proposed clean-up of some \$65bn in bad debts run up since 1994. In addition, sharp falls in interest rates in the last two months and the possibility of stronger than expected economic recovery have boosted prospects. Share prices of leading banks have doubled

Mexican banks have

However, banks are still lending less than they were in 1994, forcing big business to shop abroad for loans. Mr Ortiz said banks had raised provisions for less than twothirds of their past-due loan portfolio compared with a target of 100 per cent, and needed fresh capital as well.

As part of the bad-debt agreement in December, Congress scrapped remain ing restrictions on foreign ownership of Mexican banks, turning Banca Serfin, as well as Bancomer and Banamex. into potential takeover tar-

HSBC of the UK has a 20 per cent stake in Serfin; North American and European, especially Spanish, have steadily



Guillermo Orfizz "We are already beginning to see an upturn. The

increased participation in and Canadian banks have Mexico's banking system in minority stakes in Bancomer recent years, far less than and Serfin. ere in the region.

The US has moved more slowly, and only Citibank has bought a Mexican sub-Spain's Banco Bilbao Viz- sidiary. Bank of America is caya and Santander have also thought to be interested this year. their own Mexican banks; in a Mexican acquisition.

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NS REACT

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WORLD TRADE

CELLPHONE STANDARDS DECISION TO EMBRACE US TECHNOLOGY ALONGSIDE EUROPE'S TIPS BALANCE OF POWER

China ignites battle over mobile phones

By James Kynge in Beljing

China's plan to embrace CDMA, the mobile telephony standard created by the US company Qualcomm, could prove hugely beneficial to ogy. North American manufacthe equipment.

shift in the balance of power in digital mobile communications away from Europe, where Nokia and Ericsson and Siemens are in the driving seat, and towards US manufacturers such as Lucent and Motorola.

Looking further into the future, it could have a decisive influence on the next generation of mobile telephony equipment.

China, the world's second largest and fastest growing mobile telephone market, is regarded as having a crucial influence over which technological standard - European or US – will dominate global mobile telephony in the next

Until now, it has been regarded almost as certain ous work that companies that Chinese mobile telephony would contimnue to nology champiuoned by European manufacturers

such as Nokia and Ericsson. This would have had the effect of shutting out CDMA,

standard developed by US company had been conductcompanies such as Motorola, Lucent and others. However, the US manufacturers have covered their bets by working on both sets of technol-

The Chinese decision, turers which are developing however, not only opens the door to sales of CDMA in It could mean a significant China but means that the next generation of China's mobile phones could be based on the same technol-OZV.

> China's plan puts CDMA back on the agenda for third generation standards in China," said Ken Zita, managing director of Network Dynamics Associates, a telecoms investment consultant in New York.

As such, China's decision to embrace CDMA is a double blow for the Europeans. Their dominance of the China market, in which virtually all of the 25m subscribers use GSM phones, cannot but be eroded by the introduction of a rival - and incompatible - system.

Furthermore, the assidusuch as Ericsson and Nokia have been doing to coax China into chosing a third generation standard compat-WCDMA standard may now

ing joint trials on WCDMA with China's ministry of information industry (MI). and has been transfering mobile standards technology. He added that the transfer of "product technology is certainly something we will enter into with the Chinese". China welcomes the trans-

passed on to several "local champion" manufacturers which. Beijing hopes, will one day be able to compete with the world's best The roll-out of CDMA in China would allow Beijing to

to transfer their third generation technology - CDMA 2000 - in the same way as the Europeans are doing, a Chinese telecoms official said. This might convince Beijing to opt for a standard compatible either to US mobile phones, or to both European and US technolo-

wise to transfer their CDMA- ment to start a CDMA ser-2000 technology, it can only vice in several dozen Chihelp them in the Chinese nese cities this year, market," the official said. Telecoms industry ana- tomers by the year end. By lysts said that a desire to 2003, the company hopes to

ers off against their US wide, rivals in an attempt to win Michael Ricks, president of technology transfers was cal that the investment nec- join the World Trade Organithe rival second generation Ericsson China, said his probably a key motivation essary, estimated at more sation.



A woman speaks on her mobile phone outside a Shanghal salon. pressure US manufacturers. China is the biggest and tastest growing cellphone market. Reuters

of CDMA in China,

However, China Unicom will have to overcome some considerable hurdles in establishing its planned said. A Unicom official said that the company's plan was to rely on bank credit to The Americans would be finance imports of US equipattracting more than 1m cus-

But analysts were scepti-

behind the planned approval than \$10bn by 2003, could be raised by bank credit alone. Foreign investment to build CDMA service networks, as well as foreign knowbow on how to run them, will probably be crucial, analysts said.

This may mean that China will have to retreat from its current moratorium on direct foreign investment in telecoms services.

Optimists believe that it could induce Beijing to allow for the first time direct equity participation in telecoms services - a breakible with the European play European manufactur- have 40m subscribers nation- through that would have a significant positive impact on China's long-stalled bid to

EU on course to impose aircraft noise measure

The European Union appears on course to adopt a ban on aircraft fitted with engine mufflers in European airrequests from the US to hold

However, there were suggestions yesterday that around crowded European transport ministers - due to airports. endorse the measure next Monday – might postpone the start of the new legislaplanned date of April 1.

Both the EU and US are anxious to prevent the issue damage to its airline indusfrom escalating into another try. trade row following the Ro clashes over the EU's imports of US hormonetreated beef. The US Senate is considering plans to ban Concorde flights to the US

the EU adopts the ban. The EU legislation would Commission, the EU execufreeze aircraft fitted with tive, Mr Slater said he hoped mufflers - or "hushkits" registered in the EU as of discuss the measure on Mon-April 1, and would ban from day, rather than simply April 2002 similar aircraft rubber-stamp it as planned.

registered in third countries not already operating before the French minister last

this April. The 15-nation bloc says older aircraft fitted with hushkits do not always meet modern noise limits, and the clampdown is an environmental measure designed to reduce noise pollution

The US, biggest user and producer of hushkit technology, says the move imposes tion from the original a design standard not based on actual performance, and which would cause unfair

Rodney Slater, US secretary of transportation, is banana regime, and ban on touring EU capitals urging transport ministers to recon-

Speaking in Brussels yesterday after meeting the Gerfrom the UK and France if man and Belgian transport ministers, and the European EU ministers would at least

night and travel to the UK

The US transportation secretary has offered to work speeding up efforts to adopt a new, tougher international standard on aircraft noise through the International Civil Aviation Organisation. as a way of defusing the

row. He warned yesterday that if the EU went ahead with its proposed clampdown, it would be more difficult to persuade US industry to back new international stan-

The European Commission, which drew up the measure - so far backed by the European Parliament and EU ministers - said yesterday it still expected the ban to be adopted on Mon-

day. "Our understanding is that it will be endorsed on "But member states make the law, so until Monday.

Cosmetics makers to limit testing on animals

cosmetics manufacturers are to stop using animals in tests on their finished products and in most tests on ingredients to head off the threat of an

EU ban on such tests. The ban – originally planned for 1998 - has already been delayed once in the absence of agreed alternatives to animal testing which could guarantee consumer safety. It is now due to come into effect from July 1 2000, subject to a industry.

review of its feasibility by before the end of this year. second postponement.

"We want to be as restrictive as possible on animal testing," the Commission said. "But if other methods ing more than 500,000 people are not available we cannot replace animal testing with for testing the safety of their testing on humans."

However Colipa, the industry's European trade association, is concerned that the review could be a casualty of last week's resignation of screens. the Commissioners, leaving uncertainty over a ban with serious implications for the

animal testing will make it can't yet guarantee coneasier to win support for a sumer safety without some animal tests on ingredients.

> From the end of the year, Colipa members - some 2,500 manufacturers employ- will no longer use animals finished products. These include toiletries such as shampoo, toothpaste and deodorants as well as conventional cosmetics and sun

They will also stop using animals in four of the six biggest classes of tests on ingredients, including those "To guarantee safety with- for skin irritation and skin the European Commission out animal experiments on penetration. These will be the final products is a major replaced with alternative The Commission says it milestone," said David product safety checks based expects to complete the Clark chairman of Colipa's on new technologies comreview by then, and that the committee on alternatives to puter simulations and the

THIRD GENERATION MOBILE PHONES

Hope fades for single global standard

The possibility of a single worldwide standard for third responsibility for global telegeneration mobile phones come standards, met in Forseems to have faded for the talcza, Brazil, last week with moment, condemning sub- the object of setting specifiscribers to years of using dif- cations for a single, global countries and pushing up IMT-2000. research and manufacturing

The radio communications

Nations organisation with

It also hoped to resolve an argument over intellectual property rights between committee of the Interna- Qualcomm, the US manufac-

Union (FTU), the United CDMA technology and Ericsson, a leader in the European GSM technology.

ferent phones in different standard to be known as three separate standards would be entertained: CDMA2000, based on Qualcomm's technology and the US - and possibly China. standards back to the manu-

agreed standard known as tion. UMTS which will be used in Europe and many parts of The indications are, how Asia including Japan, and between Qualcomm and ever, that the committee has TDMA (formerly D-AMPS Ericsson which turns on key been forced to accept a com- another digital standard), patents to CDMA technology promise solution in which supported by chiefly US

Consortium. It seems that the ITU has which are held by Quallikely to be used chiefly in now turned the family of comm but disputed by Erics-

tional Telecommunication turer which has developed W-CDMA, the European- facturers for implementa-

resolution of the quarrel which most experts accept groups like the Universal can have a superior perfor-Wireless Communications mance to the de facto digital

world standard GSM decision to end much of the animal testing. "But we use of databases.



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Law on political donations to be tougher

cern about the appropriate-

ness of trying to influence

the political process. The

trend has made the Conser-

on funds from rich individu-

als and party members.

By David Wighton, Political Correspondent

Companies would be required to secure shareholder approval for political party donations under government proposals to be announced today.

Stephen Byers, chief industry minister, will signal his support for a change in the law as part of his drive recorded in annual reports. to increase shareholder involvement in corporate

The move is expected to lead to a further decline in opposition. Stuart Bell, decline in corporate funding.

political donations by com- research director of PIRC, stretched finances of the Conservatives, the biggest had run as high as 30 to 40 opposition party and a traditional heavy recipient of company donations.

Existing regulations allow directors to make political donations without reference to shareholders, although the amounts must be

The few companies that have put proposed donations to shareholder votes have encountered significant

nanies. This would hit the the corporate governance consultancy, said opposition per cent. "There haven't been many votes but they have attracted far higher levels of opposition and abstention than virtually any other resolutions," he

The report on political party funding by the Nell Mr Bell said a number of big institutional investors committee on standards in public life last year recomwere opposed to political donations in principle and mended that companies be the government's move required to obtain prior would lead to a further

Donations have been fall- sponsorship be declared in was branded a failure yestering for years because of annual reports. Only cash increased shareholder con- payments have to be recorded at present.

propose that boards be required to gain permission vative party more dependent from shareholders at least

company annual meetings. The proposals are expected to suggest that directors of companies that fail to obtain approval could be forced to forces pension funds to repay any donations from their own pockets.

approval for donations and that all forms of political mum funding requirement

language.
"There's not a language

under the sun that can't be

sourced in London," said

Sara Barclay Hudson, a

director of London-based 7C,

a provider of out-sourced

multilingual call centre ser-

vices for companies such as

AT & T. "There's no question

about it. In terms of quality,

diversity and availability

the language skills available

in London are better than

anywhere else in the world."

French trade-union offi-

cials are sceptical about the

claim that London was cho-

sen by Air France for its

pool of linguistic skills.

Britain was not picked by

accident," says Bernard Bou-

lineau, an official of the Con-

fédération Générale du Tra-

vail, Air France's most

powerful union for ground

personnel. "The London call

centre has been created in

order to cut wage costs at

Number of sites

tion of Pension Funds, which called for it to be abolished, Mr Byers is expected to Jane Martinson writes. Peter Murray, association chairman, said the solvency standard would damage penonce every four years at sion funds by requiring them to hold more lower yielding assets, such as bonds, than was necessary.

day by the National Associa-

The requirement, which match their liabilities to their assets, has been heavily criticised since it was introduced in 1995.

Receivers called in at another debt-hit soccer club

By Patrick Harverson in London

The financial crisis in the lower reaches of professional soccer claimed another victim yesterday when Second Division Luton Town was forced into receivership with debts of about £3m (\$4.9m).

Luton is the fourth club to call in insolvency practitioners this season, joining Crystal Palace, Portsmouth and Chester City at the bottom of the game's financial league table. All have struggled to stem losses,unable to generate sufficient revenue to cover rising costs, particularly player wages.

Luton appointed accountancy firm Buchler Phillips as receivers after David Kohler, the club chairman, was unable to agree to sell his majority stake to fellow directors.

Mr Kohler decided to leave the club after Luton failed to win government planning permission for a new stadium. Last year, Luton lost almost film on turnover of

Judging from other recent receiverships. Buchler Phillips is likely to put some

of the team's players up for Soccer has a history of financial difficulties but the recent failures are unprece-

dented and highlight the The main problem has been the inability of clubs to control player wage

revenues to keep pace with them. The problem is exacerbated when, as in the case of Crystal Palace, the club spends heavily on players in an ultimately unsuccessful attempt to win promotion to a higher division.

Tom Burton of Kidsons Impey, the accountants acting as administrators at Portsmouth, said of the club's predicament: "The huge problem is that First Division incomes do not sustain the current level of First Division player wages.

Since arriving at Portsmouth, he has sold or released on loan seven play ers, reducing the monthly wage bill of £300,000 by £30,000. Other measures have helped reduce losses from £35.000 to £10,000 a

week, but the club still has debts of £7m. The club in the worst situation is Crystal Palace. Since it was acquired by Mark Goldberg, a computer industry tycoon, for £23m last year, the club's financial position has steadily worsened. It has debts of

£9m and is losing £500,000 a

Low-income society faces economic reform

NEWS DIGEST

PRIVATISED INDUSTRIES

\$44bn rail infrastructure spending to be unveiled

Railtrack, the privatised owner of most of the national rail infrastructure, will today unveil a £27bn (\$44bn) spending programme for the next 10 years. This will be 210bn more than planned. Railtrack has responded to pressure from the government, rail regulator and train operating companies to boost its investments. But it still faces criticism for not doing enough to increase capacity.

Railtrack is expected to announce details of plans to upgrade the east coast main line between London and Edinburgh for an estimated £1bn, a £150m upgrade of the London-Gatwick Airport-Brighton line and improvements to regional airport connections. The Rail Freight Group said it wanted more information so it could judge whether there was a long-term plan to accommodate growing freight

At present rates of growth the number of freight trains will double over 10 years. Charles Batchelor, London

PARLIAMENTARY STANDARDS

Former prime minister rebuked

Sir Edward Heath, the Conservative former prime minister, was yesterday rebuked by the House of Commons committee on standards and privileges for failing to declare work as a paid consultant – despite advice from the par-liamentary standards commissioner. Sir Edward was a paid adviser to the China Ocean Shipping Company and to China investment funds run by Dresdner Kleinwort Ben-son and Commercial General Union, the merchant banks. The committee dismissed Sir Edward's explanation, that his failure to register the work was a result of a misunderstanding. The rules say MPs should register any pecuniary interest that might reasonably be thought by others to influence their actions in parliament. Sir Edward expressed his regret to the committee. Rosemary Bennett, London

MEDICAL INSURANCE

Consultant warns employers

Employer-sponsored medical insurance schemes - and the health insurance industry - will be significantly hit by the government's spending plans announced this month, William Mercer, the international benefit consultants. warned yesterday. The cost to employers is likely to rise by 22 per cent this year, more than seven times the rate of inflation, said Steve Clements, a senior consultant with the company. "Many employers will be forced to review their current arrangements, which could result in lower benefits or a US-style sharing of costs with scheme members," he said. Under a personal plan, the typical £250 premium paid by an employer could double for a 35-year-old and triple for a 50-year-old with pre-existing conditions excluded. Nicholas Timmins, London

VEHICLE TAXES

Local authority looks overseas

Kent County Council, a municipal authority in south-east England, may become the first local authority to register vehicles abroad to escape high UK taxes and fuel duties. The council said rules requiring it to obtain the best value for taxpayers may also oblige it to save money by buying new vehicles outside the UK. Other authorities are interested in making savings on their fleets but will await the Association said. The council has struck up an informal alliance with local hauliers to share information on "flagging out" part of its fleet. The hauliers, who operate about 1,000 trucks, are also considering moving their vehicle registrations to other countries to escape the sharp rise in excise duty imposed in this month's national budget plans. Charles Batchelor, London

ARMED FORCES

Loyalty bonuses to be offered



Ministers are planning to pay loyalty bonuses to members of the armed forces in an attempt to make up the shortfall in numbers. The Kosovo crisis and the stationing of thousands of British troops in the Balkans has highlighted the problem. The British army is now heavily deployed in Bosnia, on peacekeeping duties, and in Macedonia, on the border with Kosovo. It is also stationed in Brunei, Cyprus, Germany, the Falklands and Northern Ireland, "There is a problem with retention in the armed forces," said a

determined to address the issue." The army is suffering from a persistent shortfall in personnel: it currently has 109,000 servicemen. Its target is 114,000. Loyalty bonuses have been offered in the past, especially in times of low unemployment. George Parker, London

Multilingual capital hijacks market for airline call centres

Sathnam Sanghera and Bertrand Benoit report on London's cosmopolitan skills base

ondon is increasingly recognised as the language skills capital of Europe, despite the UK's long-standing reputation for linguistic inability.

Today's announcement from Air France that it will gather nine European sales being dealt with outside their home country. centres into a call centre in Frederic Verdier, who will London is the latest in a series of pan-continental run the new sales centre in the London suburb of Wemconsolidations by airlines in bley, says Air France chose the capital.

Companies such as Air London from a shortlist of France, Delta Airlines and three European cities. "Lon-TWA are becoming aware of don is probably one of the the wealth of language skills most cosmopolitan cities in in London, which has 33 resi- Europe and is ideal for the dent communities of more recruitment of multilingual than 10,000 people born out- staff," he explains. side the UK. When one site has such a range of lan- already have European call guages there seems little rea- centres in London. The TWA son to run a network of cen-

Air France's other centres there are plans to expand it. - in cities including Brus- Delta was one of the first sels, Rome and Frankfurt - companies to consolidate in will have closed by the time London. Its call centre has

By Christopher Adams

strength on exports.

The UK's trade deficit with

the rest of the world has

swelled to a monthly record

owing to slower economic

effect of sterling's continued

Official figures showed

goods deficit rose from

£2.24bn to £2.83bn (\$4.6bn) in

January, its highest yet.

Analysts said the widening

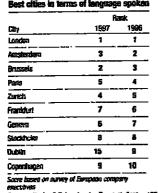
trade gap strengthened the

growth in Europe and the collapse of markets in south-

that the global trade in based across different com-

nomics Staff

Cross-border communication Best cities in terms of language spoker



TWA and Delta Airlines

operation takes enquiries

from the UK and France but

est rates by the Bank of

England, the UK central

Brian Wilson, trade minis-

ter, blamed the global eco-

nomic slowdown for manu-

facturers' problems, and the

The deterioration in the

balance of trade was broadly

modity groups and regions.

Unlike previous months,

though, there was a sharp

fall in exports to the Euro-

pean Union, suggesting that

east Asia in particular.

quently, a caller from Barce- dles 1.2m calls a year in only native speakers could cally speak more than one lona booking a ticket to more than 10 languages. The Paris will be put through to consolidation is continuing London where a Catalan and 80 German speakers speaker will deal with their have recently been taken on tor of Euro London Appointenquiry. Customers should to compensate for the immihave no idea that calls are nent closure its Frankfurt cialising in recruiting

italy France

Portuga Austria

centre. "We had no difficulties in

recruiting London staff "endless" linguistic talent. equipped with language "We are now even supplying

London has 33 resident communities of more than 10,000 people who were born outside the UK

skills of a mother-tongue standard for each of the 13 European countries that Delta's London call centre now represents," says the airline. Delta chose to locate in sites in the Republic of Ireland and the Netherlands.

and, more recently, the euro,

has begun to hurt UK manu-

facturers in their biggest

Excluding oil and erratic

items, volumes to EU coun-

tries fell by 3.3 per cent in

January, a sharp drop in

exports to Germany account-

ing for much of the deterio-

ration. Including imports.

the balance fell from a defi-

share of sterling's apprecia-

tion over the last two years

"Given that the lion's

cit of £528m to £694m.

overseas market.

and Amsterdam from London. which are traditionally regarded as being hotbeds for language skills," he says.

nication skills required.

Steve Shacklock, a direc-

ments, a consultancy spe-

professional multilingual

staff, says London provides

The UK now has about 100 London after considering substantial pan-European call centres, according to a 1998 survey by Mitial. This is the London site is fully oper- doubled in size since it Ireland had a good supply of more than the Benelux counational in April 2000. Subse-opened in 1996 and now han- graduates but Delta felt that tries, where citizens typi- the group level.

Strong pound pushes trade deficit to record against the German mark zone, the resilience of the big drag on GDP growth." The latest figures would UK's export performance to

> said Richard Iley, economist at ABN Amro. The Office for National Statistics said the figures pointed to a further widening of the overall deficit.

"The pound is still too high for the export sector." said Michael Saunders, economist at Salomon Smith Barney Citibank. "The exchange rate has weakened competicase for further cuts in interthe pound's sustained gains has been against the eurotiveness and net trade is a from £2.1bn to £1.7bn.

the EU has been surprising.

The trend in volumes now

appears to have weakened,"

exert greater pressure on the Bank of England to cut interest rates from 5.5 per cent, he said. As exports continued to

fall, manufacturers would be forced to cut output and investment further, sucking inflationary pressures out of the economy.

But while the non-EU trade balance also fell in January, yesterday's figures showed an improvement last month, the deficit shrinking

Artists line up to lobby for more funding

By Antony Themcroft in London

The Shadow Arts Council. Council of England, was launched yesterday by Sir Peter Hall with the support ors, writers and directors. Sir Peter, doyen of theatre

and opera directors, said the for the arts, he added. aim was to point out the gap "between the words and deeds of the government". The Arts Council dispenses state subsidies to the arts.

By John Murray Brown

Mo Mowlam, the chief

Good Friday, the first anni-

But in a sign of the deep-

prime minister, gave the

have to become directly

The Ulster Unionist party,

the largest pro-British party

in Northern Ireland, is refus-

ing to sit in cabinet with

Sinn Fein until the Irish

Republican Army, its politi-

cal wing, starts to disarm.

set to proceed

the UK government, yester- increasing urgency over the

day indicated she planned to new few days, is to try and

push ahead with formation find a way of making sure

of the region's new power- that the whole of the agree-

sharing administration on ment is implemented."

"standstill" grants and many of more than 100 artists, act- Council seemed more concerned with business efficiency than making a case

> The shadow council -Norman Rosenthal of the arts, urge the government to Royal Academy and John Tusa of the Barbican centre

leaders, Mr Blair said:

"What we are trying to

The former director of the in London - would make its subsidy-giving bodies that, it grants for a generation and National Theatre and Royal members available for com-Shakespeare Company said ment on arts issues. Supportset up to lobby the Arts more than half the regional ers include Sir Tom Stoptheatres in England were on pard, Harold Pinter and Sir Alan Avckbourn, the playfaced closure. The Arts wrights, and Dame Judi ential voices. Dench, the actress who has just won an Oscar for her brief role as Queen Elizabeth

I in Shakespeare in Love. The main aims of the body whose deputy chairman are are to provide a voice for the double arts funding and introduce more artists into

under the control of bureau-The shadow council has no

money but commands influ-

Alan Howarth, the arts minister, was quick to rebut Sir Peter's charges. "We welcome a serious debate about the arts but there is a risk that it will degenerate into a litany of moans and complaints. The arts has just had the biggest uplift in in Brussels.

believes, have recently fallen the Arts Council has been halved in size to reduce the money spent on bureau-

 Antonio Pappano was confirmed yesterday as music director of the Royal Opera House, Covent Garden, to ink for the 2002-03 season. Mr Pappano, 39, is Britishi born of Italian parents. He is currently music director of the Monnaie opera house

N Ireland body Speaking in Berlin at the summit of European Union

The government's apparversary of the peace agree- ent determination to push ment, despite the continuing ahead with the formation of row over paramilitary arms. the executive comes amid signs of a new challenge to ening crisis, Tony Blair, the David Trimble, the Ulster Unionist leader and the broadest bint that he might region's first minister. A coalition of anti-agreement unionists yesterday said it was seeking support for a last week. motion to exclude Sinn Féin

The challenge to the her death be handled by an



plans to push ahead

details emerged of a police report into allegations of harassment by the Royal Ulster Constabulary, the Northern Ireland police force, against Rosemary Nelson, the nationalist lawyer killed in a car bomb attack

Ronnie Flanagan, the RUC from holding ministerial chief constable, yesterday rejected nationalist calls that the investigation into unionist leadership comes as outside police service.

A new administration will give the region a chance to break out of its cycle of dependency. John Murray Brown reports

powerful spending ministry in the new Northern Ireland administration is likely to be Reg Empey, a former lord mayor of Belfast and senior figure in the pro-British

Ulster Unionist party. Assuming the administration is set up as planned, it is thought probable that he will be minister for enterprise, trade and investment.

Key budget powers will be retained by the first and deputy first ministers, in the so-called economic policy unit. But Mr Empey looks set to head the department in charge of foreign investment promotion, the substantial tourism budget and the critical area of utility regulation.

The economy he would inherit is a mixed bag. The

The head of the most region has low per capita GDP, low family incomes. low wage levels and high levels of deprivation. It also has the highest birthrate of any European region and an expanding labour market. Even though unemploy-

ment has fallen - and is now at 6.7 per cent, according to the International Labour Organisation - the differen-tial with the UK as a whole is increasing. Moreover, the structure of the region's industry is skewed in favour of low technology industries with low levels of research and development.

David Trimble, the first minister and Ulster Unionist leader, has voiced doubts as to whether the £150m (\$244m) currently used to support industry is money

investment policy seems likely. The strategy of targeting areas of most need which had a clear political motivation given that the nationalist community suffers much higher unemployment rates - may be reconsidered by Mr Empey.

But as Tuesday's strategy document from the UK gov ernment pointed out - and most business people would concede - Northern Ireland needs to break out of its cycle of dependency. Government assistance, substantially higher than in other UK regions, is likely to fall. Ministers suggest any cut in public expenditure could be new costs should be covered compensated for through fiscal assistance. Some economists believe

UK mainland, ahead of the sity, estimates 50 per cent of affoat," he adds.

employment, suggesting productivity is improving. The workforce tends to be more skilled, with 45 per cent of school leavers going on to third level education. This is against 33 per cent in the UK as a whole.

But the high birth rate. and a labour force set to grow until 2020, means the economy "will have to peddie a lot harder" just to provide the jobs.

concern will be to keep a lid owned companies in pharon spending. Unionists are adamant that the decision to create 10 ministries should be "revenue neutral". Any by re-allocating from exist- tionally outperformed its ing programmes.

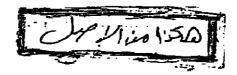
The quangos - state-ap-

A shake-up in inward increase of manufacturing the total budget is administered through quangos, which all parties agree should be scrapped. Competitiveness will also

be a key concern. The UK government's Northern Ireland Office has proposed lowering corporation tax to compete with the

Irish Republic. But Graham Gudgin, economic adviser to the first minister, points out that tax breaks tend to help the research and develop-Mr Empey's immediate ment-intensive foreignmaceuticals and IT.

The strength of the Northern Ireland economy, he says, is among the smallfirm sector that has tradicounterparts in the mainland and is not so tax-sensi-Northern Ireland has turned pointed committees in sective. "It would be nice to be tors ranging from healthcare able to think about how to jobs in the 1970s and 1980s. to investment promotion - arrange the deck chairs, but Manufacturing output is could provide some savings. we're currently preoccupied now rising faster than the Colin Knox, of Ulster Univer-



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Risk is our business,

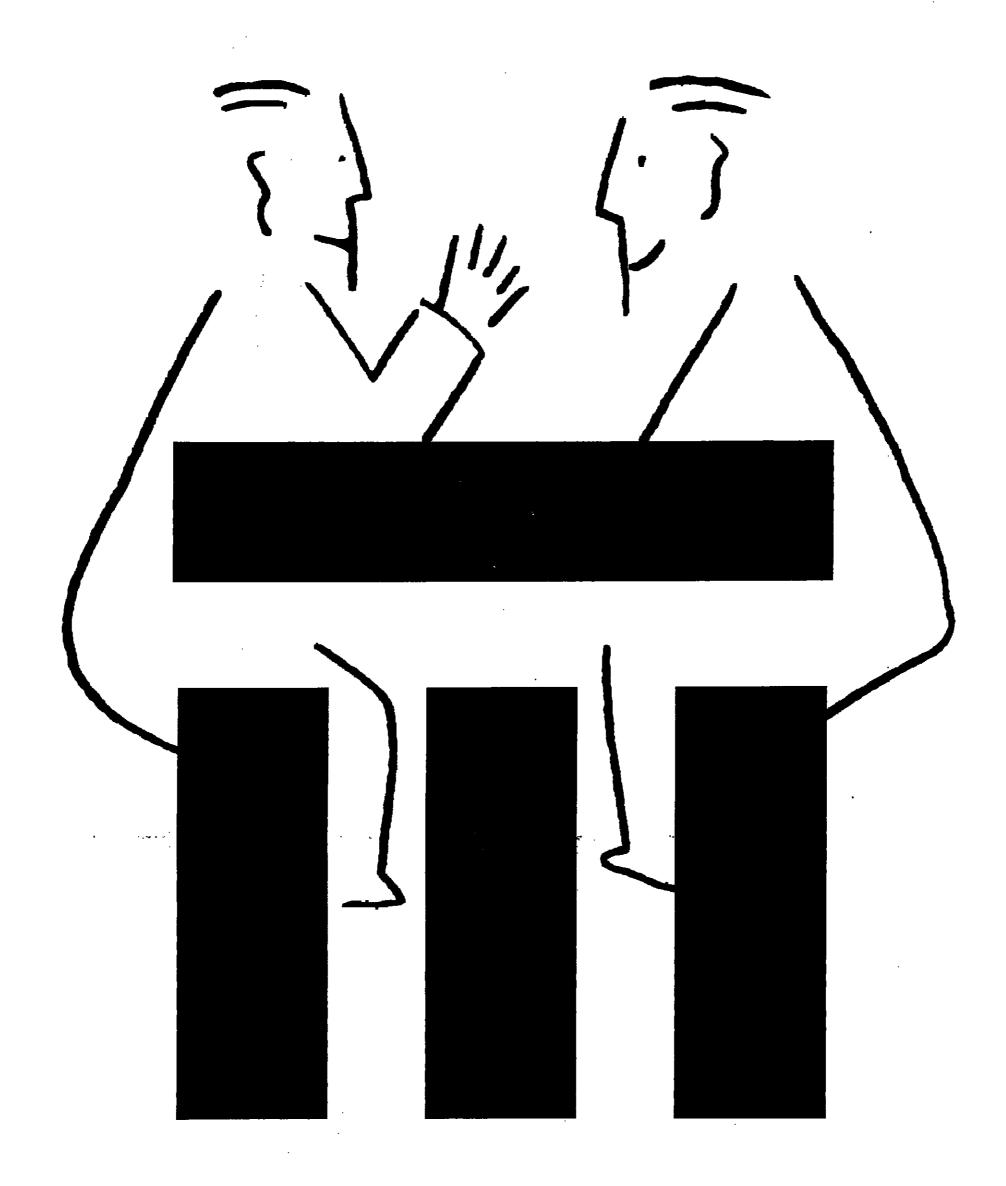
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if there's anything he doesn't understand, he asks.

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Swiss Re

The delicate art of saying 'eureka'

Science is 'the oldest profession with built-in self-regulation', says Lord Sainsbury, UK science minister. In the first of a series on how scientists regulate themselves, Clive Cookson looks at the way research results are disseminated through the media to the public



Science under scrutiny

Ten years ago this week, in Salt Lake City, Martin Fleischmann of Britain's Southampton University and Stanley Pons of the University of Utah told the world's press that they had carried out controlled nuclear fusion in a

Their promise of an unlimited new source of clean energy aroused enormous media interest, which faded gradually over the following year as other laboratories failed to replicate their

Although cold fusion retains a small band of believers, most scientists think it was all a sad mistake. Among historians and sociologists of science, the Fleischmann-Pons press conference and its aftermath are widely held up as a classic case of how not to release research results.

But there is nothing to stop scientists going directly to the mass media without first publishing their findings in a peerreviewed journal, especially if they believe they have something so urgent to communicate that they cannot wait for the normal procedures to take their course.

And if the scientists in question come from a reputable institution and have a respectable research background, as Professors Fleischmann and Pons did. journalists will report loudly what they say.

More recent examples of the unorthodox approach to publiclsing scientific findings include the doctors at Kyunghee University Hospital in Seoul who announced at a press conference last December that they had produced an embryonic human clone, and Arpad Pusztai of the Rowett Institute in Aberdeen, who was forced to retire in August after best to publicise them. Most top

had suffered ill-effects from eating genetically modified pota-

In both cases there was enormoved quickly beyond the underlying questions. For example, under what circumstances, if any, should human beings be cloned? What tests have been done to assess the safety of genetically modified foods?

Indeed the scientists responsihle say one of their aims was to encourage such debate. But that does not impress the research establishment. As 19 fellows of the Royal Society. Britain's senior scientific academy, said in a statement about the Pusztai

Most top researchers these days seek publicity beyond the scientific literature

affair: "Those who start telling the media about alleged scientific results that have not first been thoroughly scrutinised and exposed to the scientific community serve only to mislead, with potentially very damaging consequences."

The officially endorsed method of releasing research results is through a peer-reviewed journal. Each scientific paper is reviewed by expert referees and amended or edited if necessary.

Journals are keen for their papers to receive the maximum publicity as soon as they are published - to promote themselves and their authors. Competition for the hottest research reports is intense, and journals want scientists to know that they do their claiming on television that rats researchers these days seek publicity beyond the scientific literature because they know it can help raise funding.

The vehicle for maximising press coverage, while keeping unpublished research findings out of the media, is the "embargoed" news release. A few days before each publication date, the leading journals distribute by fax and internet a digest of what they regard as their most newsworthy articles to journalmous media coverage, which ists who have agreed not to print or broadcast anything until the research itself to examine the journal's official publication

> To help journalists write stories as thoroughly and accurately as possible, the news digest enables them to order an advance copy of any paper and gives full contact details for the lead

The whole process is facilitated by new internet services such as Eurekalert, provided by the American Association for the Advancement of Science, which channel embargoed information from several journals and research institutions to registered journalists.

Nature and Science, the leading general research journals, give a preview of their weekly contents to 1,200 journalists from newspapers and magazines, radio and television stations. Only a handful of journalists have been struck off the list of recipients for deliberately breaking an

It is remarkable how rarely news leaks out to the public before the embargo time, says Philip Campbell, editor of Nature. "I am gratified that the embargo holds as well as it does." But if the story is big enough,

it is likely to break before the embargo is officially lifted. This happened in August 1996 to the Science paper about evidence for fossilised Martian microbes in a meteorite and in February 1997 to the Nature report of Dolly the cloned sheep.

Reports by corporate researchers can cause particular problems if they are price-sensitive. Nature securities using information con-



ing under the US Securities Exchange Act of 1934.

Yet there have been cases of particularly of biotechnology companies, just before the publication of exciting research results. Last year, for example, the embargo on a Science paper by scientists at Geron, a Californian biotech company, was lifted when its share price soared two days before the scheduled publication date.

Science-based companies love to have their researchers' papers published in prestigious journals; it is excellent for morale and for puts an explicit warning on its the corporate image. But they press release: "Anyone dealing in often have to pass up the opportunity because they believe their tained in this document or in duty to shareholders requires advanced copies of Nature's con- them to release price-sensitive tent may be guilty of insider trad- results immediately, by a press

release and statement to the stock market.

Daniel Vasella, president of Novartis, the Swiss life sciences group, is expecting to receive crucial clinical trial results on several drugs this year. "My dream would be to wait until they are published in a medical journal, but in practice I have to release them [to the market] as soon as they are available," he says. Medical research results are

sensitive for another reason - the rapid growth in patient power and knowledge. In the old deferential days, doctors had time to peruse their medical journals before anyone asked them about new treatments - and very few natients took that liberty. Some of today's patients, surf-

ing from one medical web site to the next, are becoming better informed than their doctors, says Richard Smith, editor of the British Medical Journal. "This can be deeply threatening to doctors at first, but they usually come to like it. In the old world, we listened to the experts, in the new world we pay more attention to

Patients will have more access to fresh evidence if proposals to post biomedical research results directly on the internet come to

Health is actively examining the idea of running an electronic preprint or "e-print" service, similar to one that Los Alamos National Laboratory operates for physics and astronomy papers. How papers would be peer-reviewed on the internet remains to be

Eventually, the standard model will be for scientists to release results on the internet as soon as they are ready - and any patent rights secured. But there will still be a role for journals such as Nature and Science to act as filters, giving a refereed seal of approval to the most important reports and packaging them in a form that will be accessible to scientists in other

Yet some scientists are bound The US National Institutes of to lose patience with the system and call their own press conferences to communicate directly with the public. When that happens, remember cold fusion and react with caution.

> The series continues next Thursday with a look at the peer review

www.FT.com



the evidence

Figuring out how to speed up a chip's arithmetic

Computer engineers are elways looking for ways to increase microprocessor speed, writes Edwin Colver. The latest trick, developed by a European Union-funded research

project, changes the way chips do sums. A microprocessor chip

based on the new method and to be manufactured by Philips of the Netherlands is to be ready by the end of next year. Commercial applications are likely to be in such devices such as mobile telephones, graphics systems and real-time controls for aircraft

At present, chips do their arithmetic using a "floating point" system. All numbers are represented as a fraction multiplied by a

power of two. While this notation facilitates the handling of extremely large or small numbers, it is slow and introduces errors because results have to be rounded.

The new method proposed by the project's co-ordinator, Nick Coleman of the University of Newcastle, uses a "fixed point" system, in which numbers are represented as logarithms. Logarithms convert complex multiplications into relatively simple additions that involve no rounding

Logarithms have been avoided until now. While multiplication and division are simplified, addition and subtraction become a

having to estimate the value of numbers. This introduces a high degree of inaccuracy into the calculations, and any fancy maths to reduce this error slows the process.

Dr Coleman says a new mathematical approach solves this problem. "We've invented a brand new technique for calculating the approximations involved in logarithmic additions and subtractions," he says. He will outline the mathematics at the international Computer Arithmetic conference in

Adelaide, Australia, in The principle is simple. While one piece of

hardware works out the

sum, another calculates the final error. Put the two results together and you arrive at a very accurate And because the two

\$5.50 miles 1934 (1937)

√r. **\$200**

W. E.

- Mar. 184

Drocesses are run together, no time is wasted,

The researchers have tested their design on simulators. They can perform logarithmic additions and subtractions at a rate comparable to floating point processors. Multiplication is five to six times faster and division is 15 to 16 times faster. "A typical programme will include a mix of arithmetic operations," says Dr Coleman, "We get a two-fold speed up overall. And our log unit is more

headache – you end up approximate value of the IN BRIEF

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New blood test could help stroke victims

A new blood test for strokes could give more victims a chance of receiving potentially life-saving drugs writes Zofia Chustecka.

At present, stroke patients need to have a CT (computed tomography) scan to assess whether there is any bleeding in the brain, before treatment with clot-dissolving drugs such as TPA can be considered.

This delay can be damaging because, ideally, the drugs should be administered within three hours of the stroke taking

The new test, known as the Stroke Panel, gives results within minutes, it measures blood levels of four biochemical markers of brain tissue damage, and is both quicker and more accurate than CT scans, according to its Canadian inventor, George Jackowski. Skye PharmaTech, the company based in

Mississauga, Ontario, which

launch the test commercially

in the US and Europe before

the end of the year, having

he founded, is hoping to

completed clinical testing. Skye PharmaTech: Canada, e-mail skye@skyepharmatec.com

Stress and illness linked

For nearly a decade, there has been evidence of a link between psychological stress and certain illnesses Now, scientists in the US have identified a possible biological explanation for the

Sheldon Cohen of Carnegie Mellon University in Pittsburgh and colleagues at the Children's Hospital of Pittsburgh believe that the culprit is interleukin-6, a chemical involved in the body's immune response.

They found that the concentration of this molecule in the mucus of flu sufferers varied both with the severity of their symptoms and the amount of stress they had been

The researchers say that changes in the Interleukin could explain most of the effect of psychological stress on symptoms, but they acknowledge the possibility that the interleukin is not the causal link, but a marker for

another active chemical. Center for the Advancement of Health: US, tel 4122683580; http:// www.cfah.org

Point of contact for the paralysed

The horrifying condition in which mentally alert patients become completely paralysed was made famous by Jean-Dominique Bauby's book The Diving-Bell and the Butterfly, which he dictated, letter by letter, by moving one of his eyelids. This "locked in" condition, which can be caused by a stroke or neurological disease, can sometimes leave patients completely unable to

communicate. Researchers at the University of Tübingen In Germany and elsewhere have designed a communications system for these patients using a device called an "electroencephalogram". which monitors an

individual's brainwaves With practice, patients can learn to drive cursors on a video screen, allowing them to select letters of the alphabet, according to a letter published today in the iournal Nature.

University of Tübingen: Germany, e-mail neils.birbaumer@ uni-tuebingen.de

A polymer to help the pupil

A newly devised polymer promises to make contact lenses more comfortable, tolerable for longer periods and less likely to cause eye infections.

The material, called a suffoxide hydrogel polymer, increases the water level in the eye while minimising the build-up of undesirable proteins. In conventional lenses, attempts to increase the water level - an important factor in supplying oxygen to the eye - tend to lead to more protein being deposited on the surface, which could cause infections.

The sulfoxide hydrogel enses, which were devised by researchers at Rohm and Haas Texas, a Houston-based company, and the University of California, Berkeley, are undergoing clinical trials. American Chemical Society: US, tel 2028724445; e-mail y_marsh@acs.org

Vanessa Houlder

THE ARTS

Who needs awards? "Best fascist dictator, Adolf Hitler" Woody Allen quipped in Annie Hall. Gods And Monsters is no worse for emerging from Sunday's jun-ket Oscarless save for writer-di-rector Bill Condon's Best Adapted Screenplay award. No Best Actor statuette for lan McKellen, though he is in eloquent form and imperiously disguised in nut-brown makeup and silver hair as the Hollywoodised British filmmaker James Whale the man who made Frankenstein And no Best Supporting Actress doorstopper for Lynn Redgrave as his German housekeeper, hewing away at her dialogue with an accent that you could sell as a dangerous weapon.

FINES THE PROPERTY WARRANTS

These two troupers boldly troup in a film saved from the odour of biopic sanctity by its campy charm and deft, allusive wit. As well as a great two-film director - the monster picture and its even finer sequel The Bride Of Frankenswin - Whale became the Tinseltown Raj's best-known tragic homosexual. Found dead in his pool in the 1950s, as if in gay homage to William Holden in Sunset Boulevard. he left a brief suicide note and a long life story. That in turn inspired James Curtis's biography subtitled (after a line spoken by Ernest Thesiger's mad scien-tist in *The Bride*) "A New World of Gods and Monsters."

Condon's conceit is to make Whale the monster and the fictionalised gardener with whom he becomes enamoured. Clayton Boone (played by George Of The Jungle's Brendan Fraser), the god or apprentice demi-god. Their friendship is built on the older man's unrequited lust and the younger man's amply-requited curiosity about a living legend. Did this august Limey with the tweed suits and walnut syrup voice really make that tale of lightning, madness and bandaged ghouls? Yes, and if Clayton has a month or three and is willing to pose nude for a painting (there is no such thing as a free life story), he and we will hear about it from the master.

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Though mainly a duet, the film is fissured by flashbacks and aerated by outings. Memories of world war trenches and a West Eric Rohmer is still rebuking Midlands childhood attack Whale after he has had a stroke. Scarcely less vivid and indelible. at least for us, is the garden party he attends with Clayton where we meet an improbably, divertingly la-dee-da Princess Margaret as well as spitting at B.R. until a final vineyard images of Boris Karloff, Elsa "Bride of Frankenstein" Lanchester and party host George Cukor.

The film is like a thinking person's theme park ride. "James Whaleland": pay your two dollars intellectual tradition, Rohmer an eccentric movie-maker's mind. atomise nuances. The film is that is what friends are for: stop-



Limey in Hollywood: Ian McKellen in eloquent form, Imperiously disguised in nut-brown make-up and silver heir in Bill Condon's 'Gods and Monsters'

CINEMA

Frankenstein on charm offensive

The film of monster-movie director James Whale's life is like a thinking person's theme park ride, writes Nigel Andrews

ated, queenly old cove trying to men! All-vays pullink legs!," she says of his whimsical, sometimes off-colour jokes. And Condon knew that inside this potentially fiction-worthy tale of passion. humour, sadness and humanity trying to get out - and here largely succeeding.

An Autumn Tale is even better. "Ars longa, vita brevis" goes the saw, and 30 years after My Night With Moud and Claire's Knee life's brevity with wry tales that resonate into eternity. Will he never run out? Here wine-growing single mother Béatrice Romand and widowed city friend Marie Rivière plot romance, with M.R. steering handpicked beaux party when the Judgment of Béatrice is exercised over two nervously eligible, 30-to-40-something males.

In the great French artistic-

Housekeeper Redgrave knows funny because the characters that inside Whale's official never stop examining themgenius structure dwells an infatu- selves: their feelings, motives, morals. Paradox is the language express and fulfil himself. "Oh of this micro-philosophising. "I want all men to love me, especially those I don't love." declaims Rivière. And we almost know that Romand will choose reverential life story there was a the less likely suitor, because for this filmmaker chance and contrariness have a deeper wisdom than human calculation.

In the same way, every Rohmer mise-en-scène deceives with its simplicity. Scenes and settings that start by seeming nothing end by seeming everything. The vineyard/city contrast incubates witty moodswings between lazybucolic and busybody-urban. (The city-dweller matchmakes, the country dweller sits back and lets it happen). And in Rohmer not even a sunset - from The Green Ray's maker least of all a sunset - is allowed to slip by without making a dramatic point. Caught en flagrant melancolie as she sits alone on a garden wall at the party. Romand lies to Rivière "I was looking at the sunset." "But the sun is behind you," and ride up, down and all around splits hairs and then goes on to Rivière points out. In Rohmer

GOD AND MONSTERS **Bill Condon**

an autumn tale Eric Rohmer

AMERICAN HISTORY X Tony Kaye

Payback Brian Heigeland

THE RUGRATS MOVIE

ping you turning the world around to suit your sophistries

Norton Viriev, Igor Kovalyov

and self-deceptions. From Hollywood business as usual: guns, explosions and the end of civilised behaviour as we know it. American History X and Pauback are the sententious and catchpenny sides, respectively, of screen violence. The first is as

his Hyde-turned-Jekyll performance as the shaven-headed. swastika-tattooed neo-Nazi who kills two blacks and goes to jail, emerging a mere reel later as Goody Two Shoes. Can he similarly transform the hellraising younger brother (Edward Furlong) whom he himself corrupted with hate?

I did not believe an iota of this laundry worker and then comes out preaching love and peace? Phooey. Suppose he had been raped by blacks and befriended by a white? Would that validate his homicidal racism?

Norton re-edited the film after artistic differences with British director and commercials whizperson Tony Kaye. I would ego trip for an actor who can and should do better.

Norton was Oscar-nominated for the novel that inspired John look back on.

Boorman's Point Blank, Richard Stark's The Hunter, the film is shot in an ugly bluish near-monochrome. Perhaps director Brian Helgeland, who in another incarnation co-scripted LA Confidential, thought it was "noirish".

The revenge plot is formulaic but Gibson gives it everything. Since playing Hamlet he has started treating even inauspiconversion. A man goes to clous scripts with wit, passion prison, gets gang-raped by white and articulacy. This is good men and befriended by a black thinking the movie actor's version of a Pascalian wager - what can you lose? James Coburn and Kris Kristofferson pop up as guest villains, adding to the sense of a project cunningly upholstering its worthlessness in fine fabric.

Nothing could save The Rugrats Movie, at least for me. In this TV-based animated feature love to see Kaye's original cut. It the minutes, 90, pass like days. A is surely superior to this pious group of tiny tots escape from home in inventor Dad's runaway turbo-toy car, losing themselves Payback has the courage of its in a forest. There are many jokes amorality. Mel Gibson goes about about poo-poo and pee-pee. "For Chicago (unnamed) seeking anyone who remembers being in money-grubbing as the second in whom he may torch, maim and a nappy" says the publicity. Anyactuality but pretends it isn't. It shoot. It is not a pretty film, but one with that long a memory moralises about racism. Edward at least it is gripping. Based on surely has better experiences to

MUSIC IN NEW YORK

Italian Baroque revisited

In the early years of the 18th century, when the young Georg Friderich Handel was paying an extended visit to Rome, one of his patrons - the all-powerful Cardinal Ottoboni - arranged a musical duel in his sumptuous Palazzo della Cancelleria, pitting the gifted German youth against the equally young and gifted Italian, Domenico Scarlatti. According to contemporary reports the outcome of the ontest was a draw: Scarlatti excelled on the harpsichord: Handel, on the organ. In any case, the concert was evidently a

As part of its 42nd season, the Clarion Music Society in New York and its music director Frederick Hammond decided to recreate something of the atmosphere of the Cardinal's singular musical party. Some vocal music by Alessandro Scarlatti, a group of sonatas by Domenico, and the cantata "Armida abbandonata" by Handel, as well as his great Concerto for organ and strings made up the concert. Hammond himself played the organ Concerto, while his guest Gerald Ranck played the harpsichord sonatas

Again, at a distance of almost four centuries, the result might be considered a draw, as both composers emerged from the confrontation with colours flying. While the soprano Julianne Baird was certainly affecting in the vocal music of Alessandro Scarlatti, it was as Handel's Armida that she was able to give the full measure of her nuanced dramatic soprano. Some Corelli trio sonatas and a pair of sonatas for two kevboards by Bernardo Pasquini filled out this sensitively executed programme, which afforded a happy, tantalising glimpse of the musical world of baroque Rome.

The concert complemented the inauguration of a small but splendidly rich exhibition. Ambiente Barocco, at the Bard **Graduate Center for Studies in** the Democratic Arts. Curated by Stefanie Walker and Frederick Hammond, the show assembles a series of sumptuous hints at the magnificence of papal Rome in its heyday.

The great Roman families like the Ottoboni, the Barberini, the Ruspoli - were all music lovers and music patrons (several cardinals also wrote opera librettos for their own ampsement), and the New York show has procured some rare examples of baroque instrument-making, including the incomparable Barberini harp, here seen for the first time outside of Rome; the erudite references in its elaborate carving confirm that, beyond its musical use, the harp was also intended as a symbol, an emblem of the Barberini family's eminence and power.

The Rome of the great popes and the great musicians – was a city of pomp and pleasure. Stefanie Walker has assembled much rare documentary testimony to the grandeur of the processions of carriages, the glitter of great banquets. The magnificence remains today, and these small, but intensely meaningful pieces add to today's understanding of the great palazzi and the more imposing monuments.

Akostor Must | William Weaver

Mascagni/Pagliacci by

A slow, sure seduction by evil

THEATRE

SARAH HEMMING

Dommar Warehouse, London WC2

Only two weeks after Speer Taylor's Good, which also digs the ground shifts beneath his feet into the Nazi past. Although it is and his morals are moulded to a dark comedy. Taylor's is by far the more chilling play. His protagonist is a pleasant, liberal academic, who is sucked by degrees into the system. As played by Charles Dance, in an excellent and beautifully modulated performance, he could just as easily be sitting in the audience - and that is Taylor's point.

At the outset of the play. Halder is a professor of German literature and a humane novelist, rubbing along in his academic

INTERNATIONAL 26

EXHIBITION

OPERA

BERLIN

Deutsche Oper

Tel: 49-30-34384-01

Oliveira. Kevin McCutcheon

conducts Prokofiev's score; Mar

DANCE

Die Zauberflöte: by Mozart.

in a revival of Pierre Audi's

staging co-directed by Saskla Boddeke; Mar 25, 28

post and his marriage. He about euthanasia, he feels a glow "as a gesture", and complies with patiently endures his shambolic of pride, despite himself - and writing papers that put a household, frets about his aged, blind mother and chews over his potency problems with his Jew- and evil. Halder teaches Faust to ish doctor friend. By the end, he is taking up a position at Auschwitz. There are no hysterics: in opened at the Almeida Theatre fact his progress is so smooth comes this fine revival of C.P. that he does not perceive it as

suit the Third Reich. caust play is that, with the benefit of hindsight, we know where it will end. Taylor astutely undercuts this by juggling with the and forth so that we are disorienalarming precision how any person in any society might gradually come to an accommodation with evil. So, when Halder learns that the leader admired his novel Gelder), assists in burning books lor's play.

who wouldn't? Taylor is fascinated by good the disabled.

his students, but, for all his learning about the devil and his disguises, is unable to recognise him when he comes to his own door. Here evil comes dressed as flattery, or as a matey SS officer who confesses his own reservations about the party and then One problem with any Holo- hands on orders. Halder complies, not because he is wicked. but because he wants a quiet life. And who doesn't? So we watch, queasily, as he joins the party to

humane spin on euthanasia for

There are some stodgy passages, but once it gets going in Michael Grandage's fluid production the play exerts a tremendous and appalling grip. The staging surfs expertly its mix of debate, surrealism and macabre comedy, which, together with Hartley T.A. Kemp's striking lighting, sucks you into Halder's solipsistic world. Meanwhile. Dance conveys superbly the character's suave rationality and effortless drift into self interest. There is a form of his play, which hops back secure his career, reassures him- lovely performance, too, from self that the attacks on Jews are Emilia Fox as his adoring second tated. And Taylor analyses with merely "a temporary racial aber-alarming precision how any per-ration", won't let himself hear form and assuring him that they the fears of his Jewish friend (a are "good people". And so they wonderful performance of impo- are, by and large. That is what is tent rage and terror from Ian so deeply disturbing about Tay-



violin soloist Vadim Repin; Mar

Deutsche Oper Arts Tel: 49-30-34384-01 Aida: by Verdi. Conducted by Lawrence Foster in a staging by Götz Friedrich; Mar 27 Guide Eugene Onegin: by Tchaikovsky. Conducted by Jiři Kout in a staging by Go<umalut>tz Friedrich; Mar 28

Staatsoper unter den Linden **AMSTERDAM** Tel: 49-30-2035 4555 www.staatsoper-berlin.org Lohengrin: by Wagner. Conducted by Daniel Barenbolm in a staging by Harry Kupfer; Mar

Tel: 31-20-673 2121 The Floating World: Japanese DRESDEN scroll paintings from the Kumamoto Museum of Art. The **OPERA**

Semper Oper Tel: 49-351-48420 paintings portray courtesans, actors, and various pastimes in Ariadne auf Naxos: by R. Japan between 1600 and 1868; Strauss. Conducted by Colin Davis in a new staging by Marco Arturo Marelli. Cast includes Susan Anthony and Jon Villars; Netherlands Opera, Het Mar 25, 27 Tel: 31-20-551 8911

LONDON Conducted by Hartmut Haenchen CONCERTS Royal Festival Hall Tel: 44-171-960 4242 BBC Symphony Orchestra: conducted by Andrew Davis in works by Mozart and Strauss, with piano soloist Imogen Cooper, Mar 25 City of Birmingham Symphony Orchestra: conducted by Simon Cinderella: staged by Roberto de Rattle in works by Kurtág, Gubaydulina and Birtwistle, with

London Philharmonic

Orchestra: conducted by Kurt Masur in works by Strauss and Bruckner, with soprano Felicity Lott; Mar 27 **EXHIBITIONS**

Barbican Art Gallery

Tel: 44-171-638 8891 Africa by Africa: A Photographic View. Spanning the breadth of photography produced in Africa since the 1920s. Includes works by Marna Casset, Seydou Keita and Samuel Fosso; to Mar 28 Victoria and Albert Museum Tel: 44-171-938 8500 The Arts of the Sikh Kingdoms: first international exhibition of its kind which tells the story of the cultural heritage of the Sikhs. Coincides with the 300th anniversary of Guru Gobind Singh's creation of the sacred brotherhood of the Khalsa; from Mar 25 to Jul 25

OPERA English National Opera, London Coliseum Tel: 44-171-632 8300 Mefistofele: by Boito. Conducted by Oliver von Dohnányl in a new staging by Ian Judge; Mar 26, 30

LOS ANGELES EXHIBITION Los Angeles County Museum of Art Tel: 1-213-857 6000 www.lacma.org Ancient West Mexico, Art of the Unknown Region: comprehensive Tel: 1-212-879 5500 between 200 BC and 800, to Mar

MUNICH CONCERTS Philharmonie Gasteig Tel: 49-89-5481 8181 Bavarian Radio Symphony Orchestra: conducted by Lorin Maazel in works by R. Strauss; Mar 25, 26 Munich Philharmonic

Orchestra: conducted by James Levine in works by Berg and Mahler, with violin soloist Christian Tetzlaff: Mar 27, 29, 30 **NEW YORK** CONCERTS

Avery Fisher Hall, Lincoln Tel: 1-212-875 5030 www.lincolncenter.org New York Philharmonic: conducted by Charles Dutoit in

works by Poulenc, Saint-Saens and Hoist, with cello soloist Han-Na Chang: Mar 25, 26, 27 Carnegie Hali Tel: 1-212-247 7800 www.camegiehall.org National Symphony Orchestra: conducted by Leonard Slatkin In the world premiere of John Corioliano's A Dvlan Thomas Trilogy. With the Choral Arts Society of Washington and baritone Hakan Hagegard; Mar

EXHIBITION Metropolitan Museum of Art Dosso Dossi, Court Painter in Renaissance Ferrara: Dosso Dossi was the last of the Ferrarese painters, much influenced by Giorgione and Titian. to Mar 28

OPERA Metropolitan Opera, Lincoln

Tel: 1-212-362 6000 www.metopera.org The Queen of Spades: by Tchaikovsky. Conducted by Valery Gerglev in a revival of Elijah Moshinsky's staging, designed by Mark Thompson. Mar 26, 29

New York City Opera, New York State Theater Tel: 1-212-870 5570 www.nycopera.com Don Giovanni: Christopher Larkin debuts as conductor with sets and costumes by Rolf Langentass. Victor Benedetti leads the cast in the title role; Mar 30

PARIS OPERA Opéra National de Paris, Opéra

Tel: 33-1-4473 1300 www.opera-de-paris.fr
Lucia di Lammermoor: by Donizetti. Conducted by Bruno Campanella in a staging by Andrei Serban and Robert Carsen, with designs by William Dudley; Mar 30

 The Magic Flute: by Mozart. Conducted by Friedemann Layer in a staging by Robert Wilson;

SAN FRANCISCO CONCERT

Davies Symphony Hall Tel: 1-415-864 6000 www.sfsymphony.org San Francisco Symphony and Chorus: conducted by Roberto Abbado in works by Bloch and Rossini; Mar 25, 27, 28

THE HAGUE **EXHIBITION**

Tel: 31-70-3388 1111 Vionnet: designs and prints by Madeleine Vionnet, one of the most important couturiers of the 20th century, whose moulage cutting technique strongly influenced the fashions of the period 1920-1940, to Jun 6

TOKYO CONCERTS Suntory Hali Tel: 81-3-3584 9999 Tokyo Symphony: conducted by Kazuyoshi Akiyama in works by Haydn and Mahler: Mar 26 Yomiuri Nippon Symphony Orchestra: conducted by Tadaaki

Otaka in works by Sibelius; Mar

VIENNA OPERA Wiener Staatsoper Tel: 43-1-51444

Cavalleria Rusticana: by

Leoncavallo. Simone Young conducts a staging by Jean-Pierre Ponnelle; Mar 26 Macbeth: by Verdi. Conducted by Simone Young in a staging by Peter Wood, with a cast led by Leo Nucci and Eliane Coelho; Mar 28, 30

WASHINGTON EXHIBITION

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 Business/Market Reports: 05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20; 14:20.

division of view when he addressed the Royal United

ago. While he expressed

strong support for the

Services Institute two weeks

concept of ESDI, he warned

his European audience that

it could all too easily be

misconstrued on the other

create the impression, he

warned, that Europe was

of Nato. And some US

pack up and pull out.

trying to build a

side of the Atlantic. It could

Europeans-only alliance out

politicians were all too ready

to believe it, as an excuse to

surprisingly positive public

attitude in the US towards

multilateralism, as opposed

to unilateralism. According

to the Chicago Council on

Foreign Relations, in its

latest study of American

cent) think that in

if it does not have the

"leadership" sample

What is also clear,

however, is the profound

disinclination for sending US

troops abroad. On no single

possible source of conflict -

Arabia, or if Arab forces

invaded Taiwan, or North

Korea invaded the South -

The US is a very reluctant

global policeman, unless it

The consequences for

contemplate independent

foreseeable future without

they rely on the US risking

US support. But nor can

resolve a conflict. So the

most likely outcome is for

troops, while the US still

The body bags will be

to use them.

is all about?

the Europeans to provide the

determines when and where

European. Is that what ESDI

American Public Opinion

and US Foreign Policy.

Editor, John E. Rielly

casualties in trying to

Europeans cannot seriously

Europe are grim. The

security action in the

was there a majority for

sending in US troops.

can do it with cruise

missiles.

invaded Israel, China

such as if Iraq invaded Saudi

showed a much smaller

support of its allies.

cent in favour.

public attitudes to foreign

policy*, the majority (72 per

responding to crises the US

should not take action alone

The same question put to

majority: 48 per cent against

unilateral action, and 44 per

Against that must be put a



QUENTIN PEEL

Lessons of Kosovo

The bombing of Serbia could and should have shown Europe's capacity to manage crises in its own backyard. Instead, it has become another enterprise for the US as global policeman

Seldom can a decision to launch massive military action have been taken with

such obvious reluctance. After Javier Solana, the Nato secretary-general, gave the green light on Tuesday night for allied bombs and missiles to rain down on Yugoslavia, everyone rushed to say sorry in advance.

Not only that, it is perfectly obvious that military analysts and commentators on both sides of the Atlantic are profoundly dubious about what good the operation may do. Few believe that the blunt instrument of air strikes can do much to halt the humanitarian catastrophe taking place in Kosovo. More than that, most would admit that the action offends against a fundamental principle of warfare, ancient or modern it has not been undertaken with any clear idea of what it will lead to, nor any exit strategy.

Either bombing raids persuade the Yugoslav resident. Slobodan Milosevic, to sue for peace. or the allies will be left with nothing to fall back on. For no one is prepared to countenance the logical step if the bombing campaign leaves Serbia unmoved: a bloody invasion, the imposition of peace by troops on the ground, and an indefinite occupation of Kosovo, probably with heavy knows, it is a prospect no western democratic leader is prepared to sell to his or her electors

Josepha Fischer, the erstwhile pacifist who is now German foreign minister. captured the spirit of reluctance. "We have done everything conceivable to avoid this confrontation." he

They undoubtedly have. Yet the whole operation has a terrible whiff of gunboat diplomacy, 21st-century style. Like the US and UK bombing raids on Iraq. whose benefits still appear questionable, it is an action dictated by the luxury of cruise missiles, against which few modern states can retaliate or defend themselves. Not least, it has been designed to ensure that

casualties are minimised,

that no US boys have to be brought home in body bags. The operation in Kosovo, in which the European allies in Nato were supposed to play a leading role, has in reality been dictated by US concerns and perceptions. What could and should have been a demonstration of Europe's capacity to manage crises in its own backyard has become another enterprise of the US as global policeman, using European men and machines

where possible.

Months ago, when the crisis in Kosovo began, there was a belief in several European capitals that the European allies should use it to show Washington what they could deliver with their grandly named European Security and Defence Identity, or ESDL

Those fond hopes were rapidly abandoned for three very precise reasons.

In the first place, the military argued in Britain and France that they simply did not have the kit. Neither reconnaissance capacity, nor heavy-lifting aircraft capable of transporting thousands of peacekeeping troops to the region, were available without US involvement. If it came to air strikes, the US would have to take the lead.

The second reason was more shaming. European diplomats argued that neither Mr Milosevic, nor the Kosovar guerrillas. would pay attention to their attempts at peace-making.



Ready for action: a German Tornado prepares for take-off Reuters

They would only believe the allies were serious if the US was visibly involved.

Finally, they never wanted a repeat of the early attempts at peace-making in neighbouring Bosnia, For the European attempt on that occasion to go it alone was undermined by US support for the Bosnian Moslem government, British and French troops attempting to keep the peace found themselves under fire from weapons which had been supplied from across

Understandably, they said: 'Never again." The trouble is, those arguments suggest that all the fine words about ESDI are so much hot air. The

the Atlantic.

basic issue is: will it ever become realistic for the European Union members of Nato, so keen to give identity, to contemplate a serious military operation without US involvement?

George Robertson, the UK defence secretary, has called for changes in Nato's command structure to increase Europe's ability to launch military missions without the participation of the US. Of course, as a good Nato member, he insists that any decisions to deploy forces would still be taken by the individual governments inside Nato.

and not by any supranational body, like the EU. But the idea would be to allow the Europeans independent access to Nato's assets – which means things like US reconnaissance equipment. That might answer the first objection to Europe trying to sort out Kosovo alone, but not the

second or third. As for the US, it suffers from its usual ambivalence towards European efforts at creating an independent defence and foreign policy identity. US policy-makers such as Richard Holbrooke and pundits such as Henry Kissinger may complain bitterly about the absence of a "singie telephone number' to ring to discuss EU policies. But when faced with the prospect of such a number, they seem to prefer ringing round all the most mportant EU capitals.

Strobe Talbott, the US deputy secretary of state. certainly suggested a

LETTERS TO THE EDITOR

Strength will be tested to destruction

From Dr Raphael Papadopoulos.

Sir. Your leading article 'Nato's test in Kosovo" (March 23) raises a number of fundamental points, on some of which the position taken by Nato ranges from the ambiguous to the self-serving and controversial. Let me select some of

First, Nato military action against Yugoslavia is not only its first attack against a sovereign state; it is also a clear violation of the Nato Charter.

Second: who decides that the UN Security Council's resolutions on Kosovo bave been breached by the Yugoslavs? Is it down to Nato to decide that, and if so, on what authority?

Third: who decides that separatist insurrection in

from similar situations elsewhere as to justify Nato military action?

undisputed selectivity in choosing the targets for military action - sometimes without explicit authority from the United Nations - is it not premature and dangerous to assume that such precedents constitute "developments in modern law" which secure - for Nato - the right to decide if and when military action is justified in order to prevent humanitar-

Fifth: the apparent consensus, to which you refer, is ate the plight of the Kosovars rather than on an

ian catastrophes?

based on an understandable desire and expectation that the international community must do something to allevi-

Yugoslavia is so different agreed policy on means and objectives. From this it follows that the strength of the consensus will be tested Fourth: in view of the . to destruction when and if it becomes necessary to escalate the action beyond the initial air strikes.

Under such circumstances the reluctance of some Nato members to sanction any escalation, combined with the opposition of some members of the UN Security Council to military action in the first place, is likely to bring the whole operation to an abrupt end.

Has anyone - within or outside Nato - any good thoughts as to the direction in which "modern law" is to develop beyond that point?

Raphael Papadopoulos, 52 Asmuns Place, London NW11 7XG, UK

UK contributes three times more than France

From Ms Patricia Hewitt,

Sir, The table you printed with Quentin Peel's article "British cheque" arouses ire" (March 23) showed the UK as a smaller net contributor to the EC budget than France. This is quite misleading.

Your figures are based on the European Commission's technical definition of "UK rebate budgetary balances". These figures have little to do with the real world. They have been produced on a notional basis that artificially cuts the UK contribution by redistributing Customs duty revenue around the EU. The figures are prepared for the technical purpose of calculating the abatement. rather than representing a sensible pic-

ture of member states' net The measure of net balances that matters is the dif-

of money a country actually pays and the amount it actually receives. On this basis the UK contributes far more than the Commission figures you use - and more than three times what France contributes.

The 1997 figure is further distorted owing to the large annual variances in contributions. The Commission recognises this fact in its Own Resources report of October 1998 (page 34): "1997 is unrepresentative for the UK because of the exceptionally high variability of the rebate in this year." 1995-97 average is therefore more representative.

To set the record straight I submit a revised table using European Commission figures for accounting budgetary balances (see above right). This table is a more accurate representation of

Het contributions to EC -(Ecu m) 1404.5 220.5 -819.5 2302.2 Ireland -628.8 -2176.4 -599.2 267019 -894.B

second largest net contributor to the EC budget.

Patricia Hewitt economic secretary to the Treasury. Treasury Chambers. Parliament Street. the UK's position as the London SW1P 3AG, UK

Number One Southwark Bridge, London SE1 9HL

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NOTICE OF A SPECIAL MEETING

Of the holders of the outstanding U.S.\$100,000,000 Fixed Rate Extendible Loan Sub-Participation Certificates due 1999

Certificates the "Investments", with holders of Investments herein referred to as the "Investors") issued on a limited recourse hasis by the Bank for the purpose of funding a ¥13,375,000,000 loan (the "Loan") to Yamal Nenets Autonomous Okrug (the "Borrower")

NOTICE IS HEREBY GIVEN by Lehman Brothers Sankhau: AG (the "Bank") is bank established under the laws of the Federal Republic of Germany) that a special meeting ("Meeting") of the Investors will be held on 16 April, 1999 at 15-00 at Clafford Chance, 200 Adders; are Street London EC (A-4)) for the purpose of considering and, if thought fit, passing certain resolutions which will be proposed as Extraordinary Resolutions in accordance with the provinces of the Trust Deed made on the 8th day of April, 1998 (the "Trust Deed") between the Bank and Bankurs Trust Certain Provinces and Control of the Control

The investments were issued for the sole purpose of funding a one year extendible loan in the aggregate principal amount of ¥13.775,000,000 to the Borrower. The Bank and the Counterparty (as defined in the Trust. Decol entered into a Swap Agreement in connection with the Lean. The rights of Investors to receive payments are limited to actual receipts from the Borrower of the appropriate amounts under the Loan after delination of payments to the Counterparty and of alternation entered to certain Reserved Rights tas defined in the Trust Decol) and, whilst the Swap Agreement, all as more particularly described in the Trust Decol from the Counterparty under the Swap Agreement, all as more particularly described in the Trust Decol from the Counterparty under the Swap Agreement, all as more particularly described in the

Trust Deed

On 4 February 1999 the Borrower requested that the term of the Loan be extended. The Truster nonfield Investors of such request on 2 March 1999. The Borrower has informed the Bank that it may not be in a position to pay the entire principal amount due on the Loan on 8 April 1999 in light of the Borrower's potential insiding to repay the entire principal amount due under the Loan on 8 April 1999, the Bank and the Borrower are to discuss the terms of potential intendments to the obligate one of the Borrower under the Loan and therefore of the rights of breasters under their investments. The 5 ways April 1999, the Bank and the Borrower are to discuss the terms of potential intendments will be conditioned upon approval by the investment by Extraorobiastic Recordination has been received. The terms of any such investments will be conditioned upon approval by the investment by Extraorobiastic Recordination and the proposed amendments are not notified to investment including changes residing therefore in the terms of the Investments or, if the terms of the Extraorobiastic Recordination dealing with such proposed amendments are not notified to investment in machine with the terms of the Treat Deed on or before 31 March 1999, to approve the extrems on 6 they have a possible or the Borrower's violagous to the make present of amounts and of the Deed on a 8 April 1999.

Accordingly, the effect of the proposed amendments, and thus the changes to the terms of the Investments which is will be the business of the Meeting to consider and if thoughts fit approve, may

a prostponement of the date of manurary of the Loan and the investments at whole or in pare and/or the adoption of an amortisation schedule in respect thereof, a protential increase or reduction in the amount provide upon materiary of the Loan and the investments.

a procession increase or reduction in the function private upon managery or the provisions.

secting of the dates for parameters of interies in respect of the Loan and the Investments and changes to the methods of determining such anyongs, a potential change or changes in the currency in which payments under the Loan and the Investments are denominated and to be made;

a potential change or changes in the currency in which payments under the Loan and the Investments are denominated and to be made;

terms on which collateral may be provided by the Surrow or in respect of its obbigations under the Loan faithweigh there is no certainty that any such collisional will be provided);

possible changes to the covenance provided for in the Lean:
the waiver of any events of default or other breaches of any of the terms of the Loan of the Investments.

the variation of termination of the Swar Agreement, and

grant and a such related or a medial principle at the Meeting may approve The meeting may also be taked to consider approving a constitution of the listing of the Certificates on the Caytian labinds Sweek Exchange or the disconstitution of any such listing.

The Meeting may also be taked to consider approving a constitution of the listing of the Certificates on the Caytian Islands Sweek Exchange or the disconstitution of any such listing. However in the event that the terms of the Extraordinary Residentials dealing with the amendments outlined in (i) to (a) inclusive above are not notified to processors on or before 31 March 1999, the sole purpose of the Meeting will be to consider and if thought fit to approve the following resolution as an Extraordinary Residentia:

EXTRAORDINARY RESOLUTION

"THAT this Mercing of the holders of the contamining US\$101.00(0)000 Freed Rate Entrable Loan Sub-Participation Certaficiates due 1999 and holders of Loan Sub-Participation to fluorescent, and the "Investmental respects, stored Loan Brothers Raddhass AG titles "Bank") constanted by the Trust Deed made on 8 April 1998 between the Bank and Bankers Trustee Compani, Limited that "Trustee") as trustee for the Investment Raddhass AG titles "Bank") constanted by the Trust Deed made on 8 April 1998 between the Bank and Bankers Trustee Compani, Limited that "Trustee") as trustee for the Investment heads the Trustee and the Borower Grace Period its defined in the Loan Agreement is 3 defined in the Trust Deed); to expire on the carlier of til 21 May 1999 and the day following a date on which Investors have been given opportunity by way of mercing to consider and if through fit to approve an Extraordinar 8 Resolution or Extraordinary Resolutions in relation to further proposed amendments to the terms of inter also, the Loan and the Investments, such meeting to be held no later than 20 May 1999."

PURTHER INFORMATION is accordance with normal practice, the Trustee, which has not been monitored in the formulation of the business to be coundered at the Meeting, captered on opinion on the morns thereof. It has, nowever, authorised it to be stated that, on the busin of the micromotion set set for his has no objection to the Extraordinary Resolution set out above, or to Extraordinary Resolutions in relation to the business of the Meeting 2: outlined in (i) or (1) inclusive above, being presented to the Investors for their consideration.

The Tracter commends became to seek their own projectioned where is to the unpain of the business to be considered by the Mastern, the Extra relatives Rend The attention of loweries a protocolative descense the specimen required for the Meeting which is set out in programmed I of "Visiting and Sparties" before If passerd, an Extracolative Rendement will be building upon all the Investors, whether or not protein as the Meeting and whether or no a worng.

in accordance with paragraph 3 of the routh schedule to the Trust Deed, which sets out the provisions for meetings of investors, the Trustee has agreed that this Notice need not set out the terms of the Extraordinary Resolutions to be prepared at the Meeting relating to (1) to (2) inclusive above (either than the Extraordinary Resolution act out above) provided that such terms are nomined to investors with the terms of the Trust Deed act later than 31 March 1999.

Copies of the overplete text of the Extraordinary Resolutions to be counteded at the Meeting may be obtained from the specified office of the Trustee set forth below during normal business hours from 1 April 1999.

Forms of protey and writing instruction forms are available for collection and copies of the Tryst Deed (including the Terms and Conditions governing the Condition of April, 1998 in respect of the issue of the Investments and certain financial information relating to the Borrower are available for majoration by Investors are large. tors should contact the following for further information on voting at the Macting Bankers Trustee Company Lineard latti. Mark Jones, Director: Faz: 44 171 935 1149)

VOTING AND QUORUM An investor washing to attend and war at the Meeting in person must produce at such Meeting the Certificate(s) or Sub-Participation Agreement or a saled proxy or saled proxys in respect of which he wishes to write.

An investor may, by an motivation is to traine in the English language (a "form of promy") agreed by the investor or, in the case of a corporation, executed under its common sent or on as behalf by an attorney or a fold authorised officer of the corporation and delivered to the specified different factor of the form before the one fixed for the Maximum and John such or as behalf by an attorney or a fold authorised officer of the corporation and before the one fixed for the Maximum and the person the "proces" to set an its or as behalf in connection with the Meeting and any adjourned such Meeting. Any Investor which is a corporation may by delivering the first of the Maximum and the demonstration of the second of the Maximum and the demonstration of the second of the Maximum and the demonstration of the demonstration of the Maximum and the Maximum and the demonstration of the Maximum and the Maximum and the demonstration of the Maximum and the Maximum an

appoint the person (the "proce") to act on his or its behalf in connection with the Meeting and any adjourned such Meeting. Any investor which is a corporation may, by detriving to any Agent las defined in the Trust beed) has hare than 48 hours before the time fixed for the Meeting a resolution of its directors or other governing body, authorize any person to act as its representative? In connection with the Meeting and any adjourned such Meeting.

Any private or representative to appointed above shall so long as such appointment remains in full force to decreed, for all purposes in connection with the Meeting or adjourned Meeting, to be the Investor in temperal of the Investor in temperal of the Investor in temperal of the Investor in the other purposes and the appointment of the Investor in temperal for the Meeting is one or made persons being investors or being promise or representatives and holding or representing not less than investigate of the private amount of the course for the course being outstanding.

If meetin half in hour after the time and Trusce ance otherword for such persons.

amount of the Investments for the time being outstranding.

If within half an boar after the time appointed for the Meeting a querim is not present, the Meeting shall stand adjourned furthers the lower and Trusce agest otherwise) for such period, being not less than 14 nor more than 42 days are now be appointed by the chainman either at or after the Meeting, As such adjourned Meeting, the queriments for the time being constanting, through the being provise or Expressments are all shall be one or now personal being frequency of the Investments of the Investments for the time being constanting, in the agency of the Extraordinary Resolutions can be formally considered thereat, in this event, forecasts would not have a further apportunity to consider the Extraordinary Resolutions can be formally considered thereat, in this event, forecasts would not have a further apportunity to consider the Extraordinary Resolutions on the formally considered thereat, in this event, forecasts would not have a further apportunity to consider the Extraordinary Resolutions in the absence of an adjustment Meeting will be decided in the first instance by a show of hands. At the Meeting, unless a prill is demanded by the chainman or by one or more personal being prouts or representatives and budging or representing in the agreement of the first than the arrestitute that a resolution has been carried or carried by a particular majority or lost or not carried by any particular majority aball be conclusive evidence of the fact without proof of the number or proportion of the water recorded in few or or of a squared such resolution in the arrestitute of the words of the fact without proof of the number or proportion of the words recorded in the control of a particular majority or lost or not carried by any particular majority aball be conclusive evidence of the fact without proof of the number or proportion of the words of words and the number of proportion of the words recorded in the control of the fact without proof of the number of prop

Tribe passed, an Europedinary Resolution requires the diffirmative work of Inventors present in person or represented by prove; or representative owning in the aggregate not less than two-thirds in principal amount of the Inventorial control of the Inventorial con

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Dated 25 March, 1970

Twice damned

John Mason says that the second judgment against Pinochet in Britain's House of Lords is more rigorously argued than the first and thus harder to ignore

his trial. The warrant for his extradition is still being argued over. But for many human rights campaigners, General Augusto Pinochet has already had his day of judgment.

For the second time, the House of Lords, Britain's highest court, ruled that the former Chilean dictator and Senator for Life could be extradited to Spain, where he is wanted on charges of torture and other human rights crimes.

Six law lords, endorsing an earlier ruling last November, said Gen Pinochet did not enjoy immunity from prosecution as a former head of

Outside the Houses of Parliament. Chilean exiles and human rights campaigners were exultant. During an allnight vigil, they had planted 3,000 small wooden crosses for every person who had "disappeared" during Gen Pinochet's 17-year rule.

great victory for humanity. extradition to take place? t is a great victory for our dead who have haunted Pinochet and who will not let him go. The House of Lords have decided that torturers can no longer take tea with Mrs Thatcher."

It was a custom of Gen Pinochet to pay a visit to the former prime minister whenever he came to London.

Until the ruling by the House of Lords, former dictators like Gen Pinochet were not encumbered by their past, either at home or abroad.

Human rights groups therefore heralded the judgment as a milestone in international law, which finally gave substance to conventions against torture and other crimes against human-

Amnesty International said the judgment created a valuable precedent for the future. "The message is loud and clear. Head of state immunity does not grant the freedom to commit crimes against humanity and acts of group said.

two main issues to decide. state cannot show that to with his case.



General Pinochet: the waiting is finally over

First, did General Pinochet commit an international enjoy immunity from prose- crime is to perform a funccution as a former head of tion which international law state? Second, did the protected..." On the second issue, a alleged crimes of torture and Ariel Dorfman, the Chilean hostage-taking fit the legal majority of six to one ruled national Criminal Court. The playwright and a long-time definitions of "extraditable that only crimes that judgment, he warned, will Pinochet foe, said: "It is a crimes" which would allow occurred after September 1988, when the torture con-

lords ruled by a six-to-one this definition.

majority that Gen Pinochet was not entitled to immu- explained, was drastically to nity from prosecution.

On the first issue, the law

'It is a great victory for our dead who have haunted Pinochet. The House of Lords has decided that torturers can no longer take tea with Mrs Thatcher'

Pinochet had lost his immu- These charges cover cases of nity. Some argued it was torture and conspiracy to ruling was too broadbrush when the International Con- torture between 1988 and and lacked detailed reasonvention against Torture was 1990, when the dictator was ing. ratified in 1988 by the UK. preparing Chile's transition Spain and Chile. Two law to democracy and human lords thought heads of state rights abuses were less frehad never enjoyed immunity against these crimes. the 1973 coup. But Lord Brown-Wilkin-

quent that in the years after

vention was ratified, fitted

The effect, as they

reduce the number of

son, summarising the judg- chet himself is now uncerment, said: "Torture is an tain. The drastic cut in the international crime over number of charges he faces versal jurisdiction to all trate who is seeking the gen-The law lords called to courts wherever the torture eral's extradition, said yes-

So what happens next? The decision on whether to approve, or deny, Gen Pinochet's extradition to Spain rests with Jack Straw, home secretary. In December, he granted Spain's extradition request, and government officials said Mr Straw was likely to maintain his position.

But Gen Pinochet's lawyers are likely to challenge any such ruling and there could be a lengthly arguments in the courts. Whatever happens, the 83-year-old general is likely to be forced to stay in Britain for many more months. Some international law-

yers disagreed with the judgment. Jeremy Carver, a partner with the law firm Clifford Chance, described the judgment as a "pig's breakfast". Mr Carver believes the judgment could create international havoc and hinder the creation of the one body which could effectively try human rights abuses: the proposed Inter-"feed all the prejudices" of senior US politicians opposed to the court. Without US support, the court will lack credibility.

The ruling was the second time the law lords pro-There were disagreements offences for which Gen Pino- nounced on the Pinochet about precisely when Gen chet can be extradited. case. The first ruling was set aside because it was decided that Lord Hoffmann, one of the five original law lords, should have been disqualified because he was a director of a charity run by Amnesty International, itself a party to the case.

Many lawyers argued the complex issue benefited from the enforced second opinion. Many considered the first

Yesterday's ruling, however, was more fully argued and was widely seen as more rigorous. It was therefore expected to create legal pre-The fate of General Pino- cedents of greater authority. most lawyers argued.

As for Gen Pinochet, he may well get off in the end. which international law and means he may well escape Prosecutions need evidence the parties to the Torture prosecution. But Baltazar to be produced, and without torture," the human rights Convention have given uniean government, which has been lobbying noisily for his hear the Pinochet case had occurs. A former head of terday he would continue safe return, any prosecution

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TEN.

End of the China goldrush

Foreign investors have been conducting a love affair with the People's Republic for two decades.

But, says James Harding, attitudes are changing and the infatuation is starting to wane

COMMENT & ANALYSIS

investment in

China, Camillo

Donati replies: "Thirty years." He

should know. He came to China in 1984 to look at business oppor-

tunities for Iveco, the Italian

After setting up a co-operation

programme with a Chinese fac-tory, he moved into a local hotel

room in 1988 and has been living

there ever since. He began nego

tiating a joint venture in 1992, and four years later, Iveco pro-

duced its first truck made in

China. If things go according to

plan, the company will make a

return on its \$200m investment

around 2002 - nearly 20 years

Patience is an essential ingredi-

ent for doing business in China.

But these days it is in increas-

ingly short supply. After nearly

have made allowances for Chi-

na's idiosyncrasies, something

extraordinary has been happen-ing to corporate attitudes

towards the People's Republic:

business has begun to treat

China more like any other coun-

The pioneers who arrived in

the 1980s - including Iveco and Unilever, the Anglo-Dutch con-

sumer goods group - were will-

ing to waive their usual invest-

ment criteria in order to stake

out a position in the world's most

populous nation and most prom-

ising economy. The second wave

of companies - such as General

Motors and many of the world's

biggest banks - brought record

flows of foreign investment,

which fuelled China's rapid

But in the past year, the China

goldrush has come to an end. Fig-

after Mr Donati arrived.

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FINANCIAL TIMES

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Thursday March 25 1999

Prodi in the hot seat

Yesterday's nomination of Romano Prodi for the post of president of the European Commission was a speedy and welcome move. It is a great shame that the same urgency is not being applied to the appointment of a full new Commission. Mr Prodi was probably the best

difficulty in finding someone at such short notice. But the task ahead of him is huge. The damning report by the "wise persons" revealed not just a few instances of corruption and fraud, but a whole culture of mismanagement and a widespread failure to take responsibility. These problems have to be tackled not just at the top level, but throughout the whole Commission. At the same time, though, Mr Prodi has to give the Commission a positive new sense of identity, and restore morale to an institution which has been so roundly criticised.

Mr Prodi's strong reputation for honesty, together with his affable and down-to-earth personaffity, mean that he has a chance of achieving these objectives.

He should also be greatly helped by the new powers granted to him under the Amster-dant Treaty, soon to be ratified. Mr. Prodi will have discretion over the appointment of new Commissioners. He will have more latitude in dividing portfolies between the Commissioners. and in removing work from badly-performing individuals.

If used to the full, these powers

unanimous will make the Commission much more independent from the horse-trading of jobs by member governments, which exemplified the culture of cronyism in the institution

Alongside the clean-up, there must be an effort by member governments to define more clearly candidate for the post, given the just what the role of the Commission should be. An unwieldy workload was one of the factors contributing to the problems of mismanagement.

The priority now is to select a full new Commission; yet there seems little chance of this happening quickly. The European Council said yesterday that candidates will be discussed with Mr Prodi over the coming months. and that a new Commission will be ratified following June's elections to the European Parliament. This means that the current, discredited Commission will continue on a caretaker basis until July at the earliest.

This delay - which appears to be politically motivated - threatens great harm to the symbolic cleansing of the Commission, and risks a damaging sense of drift. A new Commission should be selected quickly, with Mr Prodi taking a leading role in the process. Whatever the constitutional difficulties, it should be possible to ratify the posts by May, before Parliament is dissolved. Only when the representatives of past failings are out of office can the overhaul of the Commission really begin.

ures published yesterday show a 9.5 per cent decline in foreign direct investment in January and February, raising the likelihood. that inward investment will fall in 1999 for the first time this Although FDI did not grow last

growth in the 1990s.

year, it was still a hefty \$45.6bn £28bn), making China the largest recipient of foreign investment after the US, and easily the largest among developing countries. This year, however, the outlook is glum. In private, Beijing officials say FDI could slump to as little as \$15bn. Shanghai, once investment fall by a quarter last

more hard-nosed and cost-conscious approach to doing busi- to rebuild the confidence of the

"The bloom is off the rose," This is clearly anomalous. But | China Europe International Busithey are not making money and do not know how much longer China are in a stronger position,"

he says. China comes at an awkward time communications venture because for the government, both in its of regulatory obstacles; and Foshandling of the economy and in ters of Australia is selling its Chiits dealings with the West. Foreign direct investment has created much-needed jobs, particu- plied beer market. Marks & Spenlarly in eastern China where cer of the UK closed its Shanghal off workers. If foreign investment plans for a store there. dries up, it will be a further drag on a slowing economy.

supported a policy of "constructive engagement" (ie, friendly relations) with China. If they become cooler about investment there, supporters of the more hostile policy of "containing China" may become more influential. The decline in foreign invest-

impact. In the US, companies

ment is likely to weigh on the mind of prime minister Zhu again a trendsetter, saw foreign. Rongii as he heads next month to Washington for discussions on his country's long-standing bid to Underlying this decline is a join the World Trade Organisation. A WTO deal could do much

Changing investor perceptions says Bill Fischer, dean of the about China, therefore, have political repercussions. More immediately, they are having an impact on the way businesses are

For a small but growing numman banker puts it, the China- tions have prompted a painful scentics are in the ascendancy, retreat. A few recent examples: Royal Bank of Canada has pulled out of China, worried about the health of the financial sector; Southwestern Bell of the US has The waning infatuation with withdrawn from a planned telenese breweries after failing to turn a profit in China's oversupstate-owned companies are laying office recently, after shelving

Retrenchment is more common than retreat. Companies such as It might also have a political Unilever and Motorola, the US

OBSERVER

with assets in China have usually costs by replacing expensive expatriate employees with local have been put on hold. Last year, the value of foreign investment deals fell by 7 per cent, while the number of contracts signed was down to nearly half of what it was in 1995.

telecoms giant, have been cutting

Making more business-like decisions, of course, is not to say that foreign investors are deserting China. There are many companies still making money, some of them a lot. For them, the

China dream is still alive. The phrase

'long-term player' is often assumed to be a euphemism for 'still losing money'

production line in Shanghai. The car is a testament to GM's long-term faith in China, rather than a measure of the demand for luxury sedans in what has proved to be a stubbornly disappointing passenger car market.

For some companies, a China presence is crucial to their global ambitions. For others, it is about a stake in China's future. But in many boardrooms, enthusiasm for China has evidently cooled. sive job of beating back foreign So what has tempered business

Many businesses have only themselves to blame. Some companies misread the market's potential, believing the hype about the land of a billion shoppers. Had these enthusiasts been more diligent in their market research, they might have discovered that the demand for many western uroducts was still in the millions rather than

billions. Others, in their eagerness to get a toehold in China, left their commercial common sense at customs. In some cases, this meant rushing into unworkable

eign investors, however, there have been three changes inside China that have forced them to some tardy foreign investors. reconsider their operations. First, the rapid rise of domestic competition has taken many foreign companies by surprise. In the personal computer market, for example, foreign investors have seen their hard-won share of the market quickly lost to rising Chinese PC makers. Compaq Computer was the market leader in 1994 with a 21 per cent share of China's personal computer busi-

market share. China's white goods makers, such as Haier and Kelon, have brands, which is one of the shorthand for "still losing reasons why Whirlpool of the

is the country's most successful

Second, the regulatory environment has become markedly more hostile in many sectors. The government has sought to support domestic businesses by issuing what are, in effect, "buy local" orders for a range of industries.

This has put foreign manufactur-

ers of mobile telecommunications

equipment, some pharmaceuti-

als products and certain kinds of power generation machinery at a disadvantage.

The tightening of foreign exchange controls, driven by Beijing's fear of capital flight, has made life even more difficult. The **IIS-China** Business Council reports nearly 50 per cent of its members recently surveyed have decided "to reconsider, delay or

in repatriating profits. Third, the slowdown in the economy and the uncertainty about the Chinese exchange rate
- despite Beijing's repeated
promises not to devalue - have made foreigners more cautious about new ventures.

even cancel intended" invest-

ments because of difficulties in

importing goods and services and

The upshot of all this is a reshaping of corporate thinking about old-fashioned FDL

Last year, Eastman Kodak bought three state-owned photographic film enterprises in China. The deal has heralded the possibility of a new style of foreign investment. Rather than pouring large sums of money, many years and considerable corporate energy into a greenfield operation, western companies are now looking at the merits of waiting until they can buy into established ventures. One example of this emerging trend is British Aerospace, which has established EuroMandarin, a portfelio management group for aerospace investments in China.

All in all, these changes have left foreign companies feeling older, but also wiser. Some of the once sacred assumptions that drove foreign investment into China have been debunked.

.For some companies that have generated nothing but losses from their Chinese investments. the argument that "you cannot afford not to be in China" has lost credibility. Indeed, some have decided they cannot afford to be in China.

Similarly discredited has been the "first to the honeypot" thinking that dictated the sooner a brand was established in China. In December, the first Buick joint ventures, or surrendering the bigger the share of the marrolled off a \$1.5bn General Motors managerial control to untried, ket it would command. Brand Whatever the failings of for- kets, has proved fluid. Domestic latecomers have happily recaptured market share. So have

> There are even reservations about the foreign investors' most basic creed - the view held by lveco's Mr Donati and many others that Chinese investment is a long-term project. A recent sample of corporate experiences in the country compiled by Tenbridge, a new investment consultancy, found "no evidence to suggest that companies with longer experience in China were more ness. Now it has 9 per cent, while likely to have positive cash-Beijing-based Legend Computer flows".

> This, perhaps, explains why PC maker, with a 14.5 per cent visiting chief executives are often told not to describe their companies as "long-term players" in China. Rather than a badge of done an even more comprehen- honour these days, the term is often assumed to be euphemistic

No hiding place Augusto Pinochet, the former "appalling acts of barbarism"

dictator of Chile, may escape other torturers throughout the world must be careful not to visit shops or clinics in London.

Yesterday's judgment by Britain's Law Lords established that torture is a special crime that can be pursued beyond international boundaries - unconstrained by sovereign or diplo-

lised refuge for torturers applies strictly to British law only. But because it is largely hased on the 1984 Torture Convention, agreed by more than 110 states including

Chile, it is likely to have a wide

international significance. Fortunately for Mr Pinochet, the UK did not ratify this convention until 1988, 15 years after he seized power and instituted a tion until 1988, 15 years after he reign of terror. The Lords ruled that the Spanish application to extradite him to face charges cannot be allowed in respect of crimes committed before that date. This requires Jack Straw. the home secretary, to reconsider Spain's extradition request on the basis of a much narrower spread of charges. These are the allegations of torture in the last years of Mr Pinochet's rule, from 1968 to 1990. Mr Straw will give his new judgment shortly.

As Lord Browne-Wilkinson, the senior Law Lord, said in his opinion, there is little doubt that ration to the world.

were committed by the Pinochet punishment for his crimes, but regime. But (as he hinted) the precise charges against him after 1988 might not be enough to warrant extradition

The important point of principle, however, is that state torture is now an extraditable offence in the UK whatever the rank of the perpetrator, as it may become in other countries. Because the 1984 convention applies specifically to can still hide behind the closk of

diplomatic immunity. more broadly, the principle of ness School in Shanghai. "Every diplomatic immunity must be day," he says, executives tell him breached only in extreme cases. Otherwise most heads of state and their representatives would they can stick it out. As one Ger- ber of companies, business condi-

be forced to stay at home. it is unfortunate that the Law Lords needed two attempts to back in Frankfurt: "All those reach this conclusion, after a people with a negative attitude to divided first judgment set aside because one member failed to declare an interest.

This unsatisfactory process emphasises the need for reform in the way the Uk's highest court is appointed and operates.

However, the Lords have now made the law on torture admirably clear. It accords with a common-sense view of what the international treaty intended; and if it were to do no more than put London off limits for despots, that would still send a ringing decla

Nato politics

Giving their armed forces the green light to bomb Yugoslavia Council.
Should not be an excuse for Nato's Nato's politicians to abdicate controk Their military strategy should be tailored to isolate President. Slobodan Milosevic. The risk is that he might yet be bolstered by a rising tide of anti-

... Dispreportionately heavy air strikes could splinter alliance sudy; fuel Russia's opposition, sudjustatibute to widening the war is though on this last point both sides have their part to play. Yugeslevia has warned five of its neighbours not to help Nato. which in turn has promised to defend the same five if they are

attacked by Yugoslavia. ··· So far, Nato governments seem united on bombing, but their publics and parliaments are not. The US Senate endorsed the strikes by an underwhelming 58-41 vote. The cautious statement on Kosovo issued by the Burgpean Union's Berlin summit reflects a different set of sensibilities. The four neutral EU nations cannot carry criticism of military action too far for fear of jeopardising their part in the EU's future defence ambitions. But Austria yesterday gave Nato an awkward reminder of the way many view the alliance action, when it said it would not allow Nato bombers to cross its territory because they were not carrying out a mission approved by guishable.

the United Nations Security

Nato's sidestepping of specific UN approval has infuriated Russia, which otherwise could have vetoed the bombing in the Security Council. But some of Russia's reaction has been neither credible nor clever. Moscow's threat to start ignoring the UN arms embargo on Yugoslavia begs the question of whether they have obeyed it in the first place, and would in any case jar with their complaint about Nato's disregard of the UN. And Yevgeny Primakov, the Russian prime minister, shot himself in the foot by cancelling his Washington trip. His return to Moscow set back Russia's hopes of getting badly needed International Mone tary Fund money.

This gesture, so clearly against its own self-interest, indicates the depth of Russian resentment at being ignored by Nato. This should be heeded. However its Balkan venture turns out, Nato's core role remains collective defence of its members, for whom the only real future threat is a Russia resurgent and resentful. So in the coming days and nights, Nato should limit its attacks to what is needed to halt Serb aggression in Kosovo. They should be ready to respond to any serious peace overture from Belgrade. As Clausewitz taught. war and diplomacy are indistin-

Prodi falls on his feet

As they baked the celebratory pizzas in Rome yesterday, Romano Prodi must have been chewing on the fickieness of fate Three months ago, the former

Italian prime minister put his chances of landing the presidency of the European Commission at "not more than. 20 per cent". A little later he said he'd probably pull out "in the next few days" to concentrate on his domestic ambitions.

All along he thought that Javier Solana, the Nato secretary-general, who is now busy brooding on the Kosovo crisis, would probably beat him

to the prize. Prodi didn't reckon on things being speeded up by the recent bloodletting at the European Commission.

Though he may be thanking the stars, not all his fans will be as thrilled. His own, newly formed political party was motoring along very nicely and plenty of his followers thought they'd be in the Euro-parliament

Now Prodi's all but certain to be in Brussels; but his friends may find they've just run out of

Cybernews

Boss Alan Greenberg may be loath to admit it, but the

Atlanta-based Internet News Company bears an uncanny resemblance to another media

company in town.
With the initials GNN (standing for Greenberg News Network) and a newsroom dotted with former CNN folks, his outfit looks to be following in some very big footsteps.

Over the past year Greenberg, a former Esquire publisher, has set up GNN and a news setvice, Medcast Network, which provides healthcare inforcement to doctors all over the US through the internet.
Yesterday he unveiled a

computer just for doctors and he's already hired away CNN's top health reporters and roducers.
Does Greenberg blusteatteven

the thought of being Atlantas, next Ted Turner? Yes, berydon't expect him to stay so coy for

Mecca-bound 🦥

Malaysian Prime Minister Mahathir Mohamad is off on the Haj, the pligrimage to Mecsa Haj, the pligrimage to Mecca Moslems are required to make once in a lifetime Only one detail: this is the premier's second trip.

Mahathir must have decided he needs all the prayers he can get. He's provoked an unprecedented backlash against his 18-year reign by sacking former deputy and rival, Anwar Ibrahim, who was lailed and

beaten by police after accusations he committed sexual misdeeds and abused his power

to conceal them. The Haj can't hurt Mahathir's chances in future polls. Anwar always portrayed himself as the more religious of the two men, earning a wide following among the country's Moslem majority. But under current

circumstances he's not going to pop up in Mecca any time soon.

Farewell Flynn Padraig Flynn, ireland's gamulous European Commissioner, has decided to jump before being

pushed.

Flynni confirmed yesterday he'd not be seeking to hold on to his position in a caretaker role. You can conclude that I have no desire to be reappointed. I have no interest in being part of a lame-duck commission," he

Even before the current commission met its end, Flynn's future was in doubt over allegations relating to his time as a party treasurer in the late 1980s.

But with ireland's coalition government already relying on independents to sustain its majority, prime minister Bertie Ahern has been left in an awkward spot, with little choice but to go outside his party for treland's new man or woman in

to face a payments to politicians tribunal later this year. Only two months ago he was regaling an Irish television audience about the onerous responsibilities of having to run homes in Brussels, Dublin and Castlebar.

Perhaps after the latest turn of the merry-go-round. Fivrin the Provider as he was once known, will settle for the more frugal surroundings of his county Mayo

Up in smoke

Do you wony for your health every time you have a puff? Taiwan's tobacco monopoly is looking to ease your mind with a new brand of cigarette, set for sale this summer, that will mix the poisonous weed with Chinese herbal remedies like loguat leaves and orange peel.

A cigarette that's good for If it works, it might stop a few class-action suits. But Observer is coughing and spluttering with disbellef.

Comrade Blair

Hot news from one of the more passionate pro-Pinochet web-sites, undeterred by yesterday's ruling on the saintly general: *Tony Blair is the prime minister of England. He is very left-wing and is an example of the socialist takeover of Europe after the fall of the Soviet-Union." As for Flynn, he returns home | Anyone told Oskar Lafontaine?

Financial Times 100 years ago

money".

Hungary's Treaty With Inclin Budapest, 24th March. In

to-day's sitting of the Lower House of the Hungarian Diet, M. Rosenburg introduced an interpeliation asking the Minister of Commerce whether he was aware that a law had been passed in India for the imposition of countervailing duties on sugar, and whether the Minister, when the new enactment was put into force, was prepared to take the measures rendered necessary by such a violation of the existing commercial treaty. The Minister of Foreign Affairs was urged to lay a vigorous protest before the British Government about the action

of the Government of India. The duty on sugar would seriously damage the growing sugar export trade of Hungary, and contravened the treaty between Great Britain and Austria-Hungary.

50 years ago

Message From Burma The London office of Burma Corporation has received a cable from Rangoon indicating that Namtu was liberated from insurgent occupation on March 23, that there had been no casualties of any kind and that "all was calm".



FINANCIAL TIMES

THURSDAY MARCH 25 1999

THE LEX COLUMN

No More A-

Misfortune comes in threes. That, at least. is Nomura Securities' experience. Risky exposures to Russia and US property were responsible for its \$1.3bn in first-half losses, and the second half is likely to be even worse as a result of trouble at home. Bad property loans from the bubble era have finally caught up with Nomura Finance, its domestic property affiliate. Nomura will have to plug a gap which, if the latest rumours in Japan are to believed, could reach \$3.6bn.

The cumulative effect of these blows has resulted in the indignity of Nomura being downgraded yesterday to close to junk bond status. Both Moody's and Standard & Poor's are worried that the losses could impair its capital adequacy.

Despite years of underperforming an underperforming Japanese market. Nomura's market capitalisation is still \$23hn Nevertheless, the brokerage house once considered Japan's answer to Merrill Lynch and Morgan Stanley is a shadow of its former self. Its international ambitions are being curtailed, while costs are being cut at home to meet the threat from aggressive foreign rivals.

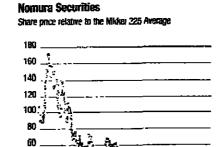
All this seems sensible. Moreover, the recent rebound in the Tokyo market will be good for business. But Moody's verdict is that the restructuring is not fast enough. It would certainly be foolish for Nomura to base its strategy on the assumption that the latest Tokyo dawn will not again prove false.

French banks

News

There is something unreal about Société Générale's latest shot in the tussle involving France's three largest quoted banks. Like a magician pulling a rabbit from a hat, it has conjured an extra €150m of annual post-tax synergies to support its hitherto unexciting bid for Paribas.

This is a convenient discovery. SG has Banque Nationale de Paris launched offers for it and Paribas a fortnight ago. SG's bid now offers synergies worth 10 per cent BNP says will flow from its merger plan. SG has also recast its strategy to appeal to investors: the capital devoted to



surplus capital. Theoretically, this ups the

ante. But investors seem unconvinced. Discounted back and capitalised, the extra synergies should have added €1.5bn to the combined value of SG and Paribas. In fact, they added almost nothing. One reason is that SG has not silenced concerns that chasing investment banking synergies may lead to mass-scale revenue losses. Unless this changes. SG has a headache. Raising its bid risks weakening its share price, making it more vulnerable to BNP. One idea might be to utilise the €6bn of surplus capital to table some cash for Paribas investors. But SG's problem remains that anywhere it goes, BNP can probably follow.

Endesa/Enersis

At a shareholder meeting in Santiago next Tuesday, Endesa, Spain's biggest power group, will seek permission to double its stake in Enersis, its Chilean counterpart, to 65 per cent. Should other Enersis holders allow this, given their own management's opposition?

Yes, for two reasons. First, Enersis been under pressure to respond since needs both capital and international expertise to take advantage of a flood of Latin American utility privatisations. Endesa, which has promised to make cent of operating costs against the 7.5 per Enersis its regional platform, is able and willing to provide both. With little chance ator would not prevent it from offering of raising equity in present conditions, Enersis looks hobbled without Endesa's investment banking has been squeezed backing. Second, the Spanish are offering ing One-2-One seems unambitious on the further and €lbn-odd of shareholdings are a fat premium. Endesa's \$1.5bn tender surface but, if it brought coherence to to be sold - potentially releasing €6bn of offer for the second third of Enersis is C&W, shareholders would be grateful.

pitched at a 25 per cent premium above the current share price. That should be enough to carry the day.

In return for pumping in such big sums multinationals such as Endesa rightly expect control. Instead they often end up fighting limits on foreign shareholdings, hostile management - the battle between YPF of Argentina and Spain's Repsol is another example - and political sensibilities. In this case there is a further complication. Chile's powerful pension funds do not want Endesa to buy 100 per cent of Enersis, much though it would like to. because it would remove too much liquidity from the local stock market. Investing in Latin America is only for the commit-

Cable and Wireless

Cable without wireless? It seems unthinkable, but Cable and Wireless is sensible at least to ponder selling its 50 per cent stake in One-2-One, the UK's smallest mobile phone operator. MediaOne's decision to sell its half share has left C&W with a tough call. Buying the stake would give it control but would be costly. Standing still would breach C&W's dictum of controlling or selling investments, and hardly help close C&W's 30 per cent discount to the sum of its

One-2-One may be one of the weaker UK operators, but it is a seller's market right now. Based on the market values of listed rivals and forecast year-end subscriber levels, it could fetch £2,800 per subscriber - 20 per cent less than higher quality Orange. This gives an equity value of £7.3bn. There is no shortage of European bidders sniffing round. And the cost of mobile assets - as seen in the AirTouch auction - puts most worthwhile acquisitions beyond C&W's reach.

But where would such a deal leave C&W? It could use the £3.6bn of proceeds to build its internet and cable businesses. One option would be to pursue Media-One's loose stake in Telewest. CWC's main rival. And not owning a mobile operbundled fixed line and wireless services. It could buy space on other networks. Sell-

Law lords restrict grounds for Pinochet extradition

By John Mason in London

The UK government appears set to acquiesce to continued Spanish attempts to extradite General Augusto Pinochet, the former Chilean dictator accused of crimes against humanity, in spite of a rulyesterday that weakens the case against him.

The House of Lords ruled that international law allowed that Gen Pinochet could be extradited to Spain but only for crimes committed after 1988 when the international torture convention was ratified. The decision means Gen Pinochet is no longer facing the bulk of the charges laid against him.

The law lords ordered Jack Straw. the Home Secretary (interior minister) to reconsider his approval of the extradition. However, according to government officials, Mr Straw is unlikely to reverse his previous. approval of the extradition, which is still subject to court proceedings, unless the Spanish case appears impossible to mount. The ruling was

claimed as a victory by human rights groups.

However, Pinochet supporters of charges strengthened the chances of Gen Pinochet returning to Chile. Reactions within Chile appeared muted, with only scuffles between ing by Britain's most senior court police and Pinochet supporters outside the British and Spanish embassies. In Santiago police turned water canons on students, who were welcoming the Lords decision. There

were a handful of arrests. Baltasar Garzon, the Spanish the case against Gen Pinochet, is ture a universal crime, was ratified understood to be undeterred by the Lords decision and is expected to continue the prosecution.

Despite the Spanish government's reluctance to support the prosecution, a spokesman for the ruling Popular party described the rejection of immunity as "very positive".

The law lords decided by a six to one majority that Gen Pinochet could not claim immunity from prosecution for crimes including torture

Lord Browne-Wilkinson, their chairman, said to rule otherwise would mean "the whole structure of claimed the reduction in the number universal jurisdiction over torium committed by officials is rendered abortive and one of the main objectives of the torture convention - to provide a system under which there is no safe haven for torturers - will

have been frustrated". However, they ruled that extradition law did not allow for him to be prosecuted in Spain for alleged crimes before 1988 when the UN Convention Against Torture, which investigating magistrate bringing was drawn up in 1984 and made torby the UK parliament.

William Hague, the Conservative Party leader, said the ruling was a "sad day for democracy". He went on: "The handling of this case has soured relations with Chile and destabilised their democracy". Additional reporting by Andrew Par ker and Jimmy Burns in London and David White in Madrid

Twice damned, Page 14

Music industry launches legal battle against internet piracy

The music industry is taking legal action against the software company which developed the technology used by Lycos, one of the largest US search engine operators, to find music on the internet.

As part of its battle against internet piracy, the International Federation of the Phonographic Industry has initiated criminal proceedings for copyright infringement against the software company, FAST, in Norway, where it is based.

Downloading music on so-called MP3 files - compressed sound files on which music is stored on the internet - has recently become one of the most popular internet activities, particularly among teenagers, as an alternative to buying compact discs or listening to the radio.

Lycos launched MP3 Search, a specialist music engine. in early February to enable consumers to locate more than 500,000 MP3 sound files. Of those 500,000-plus files. "virtually none" were posted on the inter-

net with the copyright holders' con-

chairman of the IFPI, which repre-

sents the world's record companies. Together with the Recording group. Industry Association of America, the IFPI is looking into the possibility of taking legal action against Lycos, as well as FAST, in the US. Mr Berman said: "These unauthor-

ised files include material from virtually every artist you can think of, from the Beatles to Madonna." He added: "We can't tolerate a situation where a search engine as sophisticated as this helps people to access hundreds of thousands of pirated The dispute over MP3 Search high-

lights a potentially explosive conflict of interest for the diversified media and entertainment groups which dominate the \$38bn global music market.

Lycos is presently being bid for by USA Networks, a television company 16 per cent owned by Seagram, the Canadian concern that also controls Universal Music, the world's biggest

music group. Seagram, which has voting rights

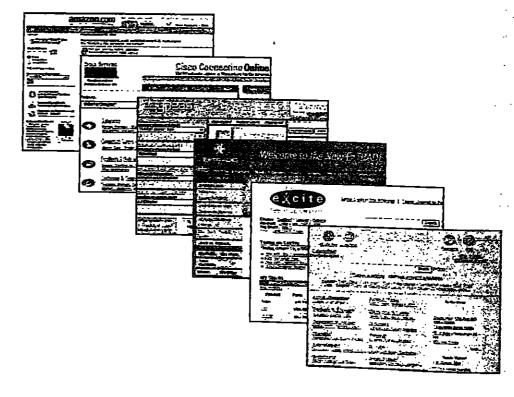
sent, according to Jay Berman. on USA Networks' board, paid \$11bn last autumn to expand Universal Music by buying the PolyGram

> Rising internet piracy is regarded as the single most important problem facing the international music industry. If USA Networks succeeds in its attempt to control Lycos, Seagram could find itself in the embarassing situation of being part-owner of a company which poses a serious commercial threat to its expensively expanded music subsidiary. Seagram declined to comment on the issue.

Internal conflicts of interest could arise for other media groups with music interests, notably Time Warner of the US and Japan's Sony. as they accelerate their diversification into internet-related activities.

Until now, such conflicts have been limited to wrangles when the hardware manufacturing subsidiaries of conglomerates such as Sony. and Philips. PolyGram's former parent company, have threatened to imperil the interests of their music subsidiaries by manufacturing recording devices.





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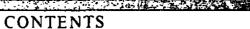
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unti-mosquito insecticide is sprayed	by Malaysian officials before the	Managed funds service

Features

slaughter of diseased pigs. The mosquitoes carry Japan from pigs to humans, and the virus has killed 58 people. Page 4

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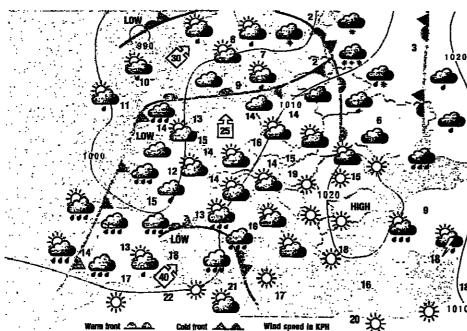
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FT WEATHER GUIDE

Europe today The Ibarian Peninsula, togethe with southern and western France, will have showers which will be thundery in places. The Low Countem France, southern Germany, the Alps, much of Italy and the Batkans will be warm with hazy sunshine but north-west Italy will have heavy showers by evening. Greece will be much brighter than yesterday with lots of sun. Denmark, northern Germany and Poland will be milder than of late with bright spells but it will continue cold and unsettled further north and in the north-east

Five-day forecast

Central and western Europe will be very unsettled for the next few days with showers and fresh snow in the Alps and Pyrenees. Greece will have rain tomorrow. Eastern Europe will be dry and bright with temperatures rising slowly.



WEATHERCENTRE TODAY'S TEMPERATURES Caracas Cardifi Casabla Chicago Cologne Dakar Daltas Delhi Dubai Dubai Majorca Marka Mancha Mandia Melbou Mizmi Milan Moscov Munich Napies Napies Napies Napies Napies Napies Parth Prague Francus
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US credit

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Nomura

downgrade

Nomura Securities, Japan's

biggest broker, was dealt a double blow yesterday when it

was downgraded by the two

largest US credit rating agen-

THURSDAY MARCH 25 1999

appointment contradicts speculation that chief executive's job had been offered to potential merger partners

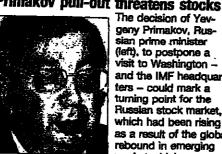
INSIDE

Shareholders shun Olivetti bid Shareholder reaction to Olivetti's bid for Telecom Italia is that the offer of €10 a share is too low, with most favouring a price of €11/€12. But Roberto Colaninno, Olivetti chief executive, has so far ruled out raising the offer. Page 18

Life assurers to boost capital bases At least six of Japan's life assurers are to apply for a total of more than Y500bn (\$4.24bn) in subordinated loans and bonds to boost their capital bases, as pressure mounts on the industry to improve its financial health. Page 23

Price drop hits Newmont's Bali mine Newmont's Batu Hijau copper and gold mine on an island east of Bali is the world's largest mine in the making. But copper prices have fallen to 62 cents a pound, casting doubt on the mine's ability to make money. Commodities, Page 28

Primakov pull-out threatens stocks



The decision of Yevgeny Primakov, Russian prime minister (left), to postpone a visit to Washington and the IMF headquarters - could mark a turning point for the Russian stock market,

as a result of the global rebound in emerging markets, higher commodity prices and the likelihood of a stop-gap IMF deal. Emerging Market Focus, Page 38

Price cuts make palm oil attractive Export demand for Malaysian palm oil remains subdued, but price falls have made it more attractive to European buyers. Since the start of 1999 the export price has dropped \$150 to \$495 a tonne FOB. Commodities, Page 28

C&W, Media One may sell One-2-One Cable and Wireless and MediaOne are considering either the sale or a public offering in One-2One, the mobile phone group, prompted by Corncast's acquisition of MediaOne. Page 24

Arab bank margins under pressure As Middle Eastern banking margins come under pressure, opportunities have shrunk and the sector faces the consolidation and cross-border expansion seen in Europe and the US. Page 20

Pakistan could default on bonds

Restructuring Pakistan's debt to the Paris Club of government creditors could trigger a default on international bonds that might spill over into other countries. Capital Markets, Page 26

Power industry faces liberalisation The \$300bn wholesale US gas and power business is characterised by huge volatility and slim margins. But the tightly regulated industry has lately become even more competitive as it undergoes liberalisation. Page 21

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MARKET STATISTICS

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By John Authers in New York

Chase Manhattan yesterday announced that William Harrison, head of its global bank, would take over as chief executive in a wide-ranging management resbuffle, contradicting speculation the role was on

Walter Shipley, formerly chief executive of Chemical. Banking before its 1995 acquisition of Chase, will relinquish the role of chief executive in June, and become chairman. He will retire from this role by November next year, his 65th birthday, and will be succeeded by Mr Harrison.

merger and currently presi-dent and chief operating officer, will retire.

The moves followed reports last week that Mr Shipley had offered the chief executive's title to potential merger part-ners. Mr Shipley denied this yesterday, and said that Chase had never considered appoint-

Chase does not have equity underwriting capabilities, and is known to have held several

side its executive committee.

Witter and J. P. Morgan have also been talked of as potential

Mr Harrison made clear that Chase would continue to look for more merger opportunities. He said: "We have been through two very successful mergers. They've created tremendous value for shareholders. We are continually looking at the options going forward strategically. But we want to make it clear that we don't have to do a merger to continue the momentum we

Mr Harrison's appointment

mentioned, while Goldman ment and previously chief Sachs, Morgan Stanley Dean executive of Texas Commerce Bank, had been considered the front-runner.

David Berry, head of research at Keefe, Bruyette & Woods, said the move was "a vote for continuity". Like Mr Shipley, Mr Harrison has spent all his career at Chemical Banking, and was involved with its acquisitions of Manu-Chase Manhattan in 1995. He is transformational deal." responsible for businesses that account for more than twothirds of Chase's earnings.

senior posts in any future merger negotiations. Diane Glossman, banking

analyst at Lehman Brothers, said: "I don't believe this announcement necessarily precludes them from doing a transaction. Depending on who they would merge with, the chief executive slot would probably not have been available anyway. There could still facturers Hanover in 1991 and be a reshuffle if there is a

Mr Berry added: "It's easy №. over-analyse this. Could we wake up some Monday and The decision not to appoint a find that Chase is in a marger deputy may help to ensure with Merrill? Sure. That was that all these executives true last week, and it's still

cies because of concerns over its capital base and earnings and growth prospects. Standard and Poor's lowered its long-term rating for Nomura from A- to BBB, the lowest investment grade category. S&P also lowered its

short-term rating from A2 to A3, while Moody's reduced Nomura's long-term rating from Baa1 to Baa2 and placed its short-term rating on review.

The downgrades reflect the growing problems at Nomura. which most recently include heavy losses at its real estate subsidiary, Nomura Finance. The broker also recorded first-half losses of about \$1.3bn in overseas markets.

Nomura is appealing to large Japanese banks to extend about Y300hn in subordinated

S&P yesterday pointed to "the severely distressed asset quality of Nomura's non-bank affiliate, Nomura Finance; persistently large high-risk exposures in the US; and challenges associated with the implementation of its revised domestic strategy."

Junichi Ujiie, Nomura president, said: "We are disap-

pointed that these announcements come only a matter of weeks before our annual results and fail to reflect the very significant progress Nomura has made in the past six months."

Paul Heaton, analyst at Deutsche Bank in Tokyo, said: "Nomura came to rely on its overseas earnings in the 1990s, nan Communications, a US | but with little profits expected telecoms group, has two local [from overseas operations] in operating licences on Poland's | the future, it will have to get western frontier and is the to grips with its clients in

> In another sign of mounting pressures on the sector, Wako Securities and New Japan Securities, two mid-size brokers, yesterday said they were merging to create the country's fourth-largest securities Nomura's shares were down

> 5.28 per cent. or Y76, to Y1.364 yesterday, in a falling market.

Insider takes top post at Chase

offer to potential merger part-

Thomas Labrecque, chief ment banks in the last year. surprised many analysts. Marc remain with the company. It true today."

Ameritech

takes 20%

holding

in Bell

Canada

Nicki Talt in Chicago

By Scott Morrison in Toronto and

Ameritech, the US local

telecommunications group, is

expanding its international

portfolio by investing US\$3.4bn

to acquire a 20 per cent stake

in Bell Canada, the largest

Ameritech and BCE, Bell

Canada's parent, said the stra-

tegic partnership would enable

both carriers to expand their

international presence, co-operate on product develop-

ment and jointly pursue new

BCE, Canada's largest tele-

coms group, would retain an

80 per cent stake in Bell Can-

tomers in Onterio and Quebec.

BCE had been seeking a

larger international partner

for Bell Canada amid the con-

tinuing consolidation in the

lysts said Bell Canada would

benefit from the stronger pur-

chasing power that Ameritech

Ameritech, which serves

customers in five midwestern

states, said it was approached

by Bell Canada. Executives

said Bell Canada was an

attractive addition to the US

group's current US\$10bn port-

folio of investments in cour-

tries such as Belgium, Hun-

gary, Norway and Denmark.

undervalued in part because

of Canada's restrictions on for-

Ameritech would get first

right of refusal if BCE decided

to sell more of its remaining 80 per cent stake, but the US company said that no increase

was expected in the foresee able future.

Canada's holdings were

international network opera-

tor. Bell Canada would also

acquire BCE's interest in six

Based on these holdings,

ing a chief financial officer, as

on the regulatory process.

Ameritech was advised by

Rothschild and BCE by Nesbitt

regional Canadian carriers.

eign investment.

Analysts said the investment was particularly attractive as BCE shares were significantly

could provide.

ada, which has about 11m cus-

growth opportunities.

Canadian telephone carrier.

The post of chief operating officer will remain vacant, and

report to Mr Harrison.

all senior executives will ing a chief executive from out-

have as a company.

Elektrim buys Polish telecoms group for \$325m

Warsaw and Stafan Wagstyl la London.

Elektrim, Poland's largest listed industrial group, yesterday amounced the \$825m cash acquisition of Bresnan Telecommunications Poland, a telecommunications and cable television company, in a move aimed at expanding its fast-growing business in the sector.

The deal. Poland's largest takeover by a domestic com- afor. pany outside the financial services sector, highlights the growing scale and sophistication of the country's corporate activities.

"We aim to become the second largest telecoms company after TP SA [the state-con-trolled national operator]," said Barbara Lundberg, Elektrim's new chief executive. We are trying to create a flagship Polish company in both energy and power."

Ms Lundberg, a US national, was appointed last month after the previous chief executive was forced to resign in the wake of protests from shareholders about the belated disclosure of market-sensitive

Elektrim, which started as a state-owned foreign trade com- per cent on the Warsaw stock and power equipment, is also nan purchase was greeted

owned power generating complex, against competition from National Power of the UK. The government is selling 25

to 35 per cent of TP SA, listed last year with the flotation of a 15 per cent stake. Bidders are expected to include France Deutsche Telekom, which has ruled out bidding for

TP SA, is already Elektrim's partner in Era GSM, Poland's biggest mobile telephone oper-Ms Lundberg said the German operator would be her

"preferred partner" for the the company's fixed-line telecommunications business. Elektrim has 10 local fixedline operating licences, which

include a licence for Warsaw. Bresnan, an affiliate of Bres-TV network with 360,000 sub-

Lundberg said Elektrim next plans to purchase further local operators. The group also intends to raise its stake in Era GSM by buying out smaller shareholders in the venture. Elektrim share prices fell 4.1

exchange, although the Bres negotiating to take over Pat- enthusiastically by analysts.



We create innovative solutions to complex problems. In this case, reading.

In some London boroughs, one in five 16-year olds has difficulty reading and writing. Schools are looking for new ways to tackle these problems, so we're working with the Tate Gallery and the Institute of Education to help them pioneer "Visual Paths". This is a literacy programme which uses art and visual images to inspire children to read and write. An unconventional solution to a complex problem. And exactly what you'd expect from a company which believes that anything is possible.

MORGAN STANLEY DEAN WITTER

selling divisions By Andrew Edgeciffe-Johnson and William Lewis in New York Under the agreement, Bell BTR Siebe, the UK engineering controls and automation year with BTR. group, is looking to raise about The merged company, which E1.90m (\$30m) from the sale of

rzbank of Germany said it had set aside DM100m (651m, \$56m)

n. above, announced net profits up 39%, Recort, Page 18

restructured to include assets previously owned by BCE. These include 65 per cent of BCE Mobile, the wireless serits automotive and paper techvice provider, and a 21.5 per cent interest in Teleglobe, the nology busines

Analysis and shareholders had thought the two busi-nesses would fetch about £1.5bm The automotive division, which includes Slebe's fluid systems assets as well as BTR's sealing systems and

Bell Canada had 1998 proforma revenues of \$8.8bn and provided services to 11m lines and 2m wireless customers. anti-vibration division, could and vibration division, could be sold as one tipe to a finan-cial super for the expected of line to the com-pany sold year day.

Blackstoney Ciron, the US-based dinangual group, is shought to be significate finan-cial buyers, according to people familiar with the dis-Ameritech had 1998 revenues of \$17bn and provided services to 21m lines and 8.5m wireless Jean Monty, BCE chief exec-

utive, said his company would use the proceeds of the deal to invest in high-growth sectors people familiar with the dissuch as e-commerce and satelposal process. Lear Corporalite services, as well as tion might be interested, systems integration and ser-The company may also buy

people close to the talks said.
Blackstone recently lost to
Lear in the battle to buy
United Technologies auto back shares over the next six months to offset partially the dilution to BCE earnings parts division. Lear won that auction with a bid of \$2.8bn, beating Blackstone's bid by caused by the reduction of its interest in Bell Canada \$50m. Had Blackstone suc-Ameritech said it planned to play a management role at the seded, it would have been one Canadian company by sending of the Targest sums the invest-12-15 senior managers, includment group had spent on an

Goldman Sachs has been well as supplying marketing and financial expertise. appointed to sell BTR Siebe's The US group is currently seeking final regulatory automotive business, and could secure a sale as early as next month. The investment approval for its \$60bn merger with SBC Communications, bank declined to comment yesbut did not expect the Canaterday. dian deal to have any impact

nology, which is being handled separately, will not begin for a half of the US market for car month, but is expected to raise

if BTR Siebe succeeds in raising 52hn, Siebe will have recouped more than balf the cost of its all-paper merger last

announced plans this week to change its name to Invensy will also be able to define itself more clearly as a controls and automation company,

operations had sales of £1.64bn in 1998, while paper technology, which includes the Weavexx brand, had sales of just £300m.

The paper business, which makes covering and felts for the rollers of paper mills, competes with Alberry of the US and Scape of the UK, but its strong cash spheration is likely to assess financial buy-

ers.

BTR Siebe sig stopped short of selling the semainder of the former BTR specialist engineering bresties. neering bush

priority and may take far It is understood that no autémotivé industry buyer

vidual operations, such as the The suction of paper tech sealing systems company, which is being handled which commands more than windscreen and car window seals.

BTR Siebe aims to raise \$3bn by

The combined automotive

reering business.

For now, it will retain the division's rafts and environmental divisions and integrate them into the group.

The stake is Nylex Malaysia, the small conglomerate of which BTH pwined 52 per cent, is expected to be sold, but the disposal is thought to be low priority and may take far

was prepaidly to buy the entire car components division.

However, it is understood that BUB Stebe received expressions of interest for indi-

Commerzbank makes China provision

By Tony Barber in Frankfurt

The first sign that China's financial problems may be affecting the performance of European banks emerged yesterday when Commerzbank of Germany said it had ment agency Gitic, which set aside DM100m (€51m. \$56m) in risk provisions for its Chinese operations.

Commerzbank, Germany's fourth largest commercial bank, said its exposure to China was small in comparison with the heavy involvement of European banks in 1997 and 1998 in the markets out troubled state-owned of south-east Asia, Russia

Nevertheless it was the first time the bank had included China in its provi-

Commerzbank took the precaution just before the state-owned Chinese investowed hundreds of millions of dollars to foreign banks, was declared bankrupt in early January.

Gitic's bankruptcy shook foreign banks because they had lent money in China on the assumption that the central government would bail companies with debts to foreigners. Gitic's bankruptcy

proceedings are due to start and in US hedge funds. in a few weeks.

provisions for Russia late last year, but that its overall risk provisions would fall by wanted to be part of a core about 30 per cent this year to DM1.3bn from DM1.72bn in 1998 and DM1.86bn in 1997. The bank said it had sig-

nificantly reduced its exposure to high-risk emerging markets after being hit by the turmoil in south-east ssfully avoided

involvement in the problems that erupted last year in the Russian rouble bond market Commerzbank's chairman,

Commerzbank said it had Martin Kohlhaussen, said also set aside DM100m in the bank was focusing this year on European expansion. He said Commerzbank shareholder group in Crédit Lyonnais, the French bank due for privatisation this year, and would like a stake of about 5 per cent.

He also said Commerzbank wanted to take a 2.5 per cent stake by 2001 in Italy's largest insurer, Assicurazioni Generali, to underpin the two groups' co-operation. rali holds a 5 per cent

are working on the idea of a transnational financial alliance." Mr Kohlhaussen said. "Significant partners from other countries should be added to the 'elective affinities' we have with major banks in Italy, Austria and Spain.'

He said Commerzbank was on course for improving its return on equity this year to its target of 15 per cent.

Pre-tax return on equity last year was 10.4 per cent. Commerzbank issued a revised net profit figure for 1998 of DMI.74bn, up 39 per cent from 1997.

Battle begins in earnest over Telecom Italia

Rivals are wooing shareholders in Olivetti's takeover fight, say Vincent Boland and Andrew Edgecliffe-Johnson

fixed-line telephone venture,

to Mannesmann of Germany

Telecom Italia is successful.

The sale is designed to help

Olivetti finance its bid at the

same time as complying

with anti-trust regulations.

in the event its bid for

Italia will not go hungry hostile €52.6bn (\$57.31bn) bid for their company.

At a series of lunches and dinners this week, Franco Bernabe, Telecom Italia chief executive, and Roberto industrial strategy and its Colaninno, his counterpart defences to fight Olivetti's at Olivetti, have been bid, writes Paul Betts in wooing UK-based shareholders as the battle for hearts and minds in Europe's biggest takeover begins in ear-

So far, shareholder reaction to Olivetti's bid terms and Telecom Italia's Olivetti's sale of its stakes in response has been lukewarm. While they see merit in both strategies, the only point on which shareholders appear unanimous is that Olivetti's bid of €10 a share is too low, even though Mr Colaninno has so far ruled out raising it.

"The crux of the matter is that I look at the competing port secured, and if Telecom plans, and to me it boils down to who you have more confidence in to execute shareholder value in the long term," said Jeff Diamond, vice president and assistant portfolio manager at Franklin Mutual Advisers. a US shareholder in Telecom Italia. Schroder Securities, in a research note on the bid this week, said there was "a next month, Olivetti's bid good chance" of Olivetti win- will target only Telecom Ital-

Strategy meeting brought forward

Telecom Italia vesterday surprised the markets by bringing forward its meeting to approve its new Milan. The group called its April 9 in Turin with the possibility of extending it to April 10 and April 11.

The move came as the Italian government cleared Omnitel, the mobile phone company, and Infostrada,

ning 67 per cent acceptances from Telecom Italia shareholders, but only if the bid price were raised to €11/€12 a share and trade union sup-Italia did not "significantly improve its defence plan.

The bid - which has yet to be formally launched - has set neither company alight, and telecoms stocks appear to have fallen out of favour since Olivetti announced its intention to take over Telecom Italia in mid-February. When it finally does come

Telecom Italia had originally been expected to call the meeting either on April 12 or April 16. By bringing forward the date. the company appeared to be signalling that it was confident of assembling the

necessary 30 per cent

approve its strategy.

quorum of shareholders to

ia's ordinary shareholders. But there is another class of shareholder now demanding to be considered and claiming to have the power to block Olivetti's plans unless it addresses their interests. These are Telecom Italia shareholders who own

savings shares - which do not have voting rights. They own 29 per cent of Telecom Italia and many are based in the US and UK. They claim they have the power to block a merger of Telecom Italia with Tecnost, the Olivetti bidding vehicle.

Savings shareholders have

certain privileges not afforded to Telecom Italia's attended Telecom Italia pre-ordinary shareholders. They sentations said Mr Bernabe get slightly higher dividends, have preferred status in the event of liquidation and are last on the list to

bear any losses Telecom Italia incurs. And while their shares do not carry voting rights, under Italian law they have the right to vote if ordinary shareholders put forward proposals that "prejudice"

those privileges. Michaele Ragazzi, a partner at Newman Ragazzi. adviser to Giani Capital, which owns both classes of Telecom Italia shares, said the terms of Olivetti's bid could threaten those privileges because a merger would leave savings shareholders owning a higher proportion of a company with much higher debt (the bid is largely being financed by

debt). He said this gave them the right to vote on the merger of Tecnost and Telecom Italia even though technically their shares carry no voting rights.

"I think it will be very difficult for any court to say the interests of savings shareholders, as part of a new company [Tecnost] with a lot more debt, are not prejudiced." he said.

Shareholders supported that view.

Seeking to reassure Telecom Italia's savings share holders. Olivetti has told them their privileges would be unchanged under its takeover terms, and that they could gain even more than ordinary shareholders if the takeover succeeded.

Olivetti's advisers - Chase Manhattan, Lehman Brothers, Mediobanca and Donaldson, Lufkin & Jenrette - said savings shareholders would own 50 per cent of Tecnost if the takeover succeeded with 100 per cent acceptances from ordinary shareholders. If the level of acceptances was 67 per cent, the savings shareholders would end up with 37 per cent of Tecnost.

In both cases, that is a higher level of equity participation than savings shareholders enjoy in Telecom Italia. But it remains to be seen whether they are ready to accept the terms.

Some savings shareholders say they are prepared to take legal action to assert their rights, although none was prepared to say so in public. Whether they do or not, it is clear there is a lot of work for lawvers on both

Mediobanca chief faces pressure to stand down

By Paul Betts in Milan

Vincenzo Maranghi, the chief executive of Medio- Italian press reports banca, yesterday came under suggested that Mr Maranghi, increasing pressure from some shareholders and bank- cia and Cesare Romiti, the ers to step down to clear the former chairman of Fiat and way for a radical restructur- a traditional ally of Medioing of the Milan investment banca, were planning a bank caught up in the middle of the consolidation of BCI. Mr Romiti said yester-Italy's banking system.

Mr Maranghi, the bank's chief executive for the past this money: elope with Sha-10 years and the protegé of ron Stone?" Enrico Cuccia, Mediobanca's 92-year-old honorary chair- be difficult for any eventual man, is being increasingly blamed for the bank's loss of influence after a string of well publicised setbacks.

The latest was his attempt to force a merger between Commerciale Italiana (BCI). This has collapsed following weekend bids by San Paolo-IMI, the Turin bank, to merge with Banca di Roma and a separate offer from Milan's UniCredito Italiano to merge with BCI.

Milan bankers vesterday

dismissed speculation that approached by rival US Mediobanca was considering mounting a rival bid for BCL

with the support of Mr Cucinvestment team. L25,000bn (\$14.08bn) bid for

large Italian financial and day in a newspaper interview. "What would I do with industrial groups. Bankers also said it would rival bid to be mounted without prior approval of the Bank of Italy. The central bank has already made it

clear it is opposed to any hostile bids. Banca di Roma and Banca If Mediobanca's top management issue was not resolved quickly, bankers said yesterday, there was a risk that Mediobanca's investment banking unit could be taken over or dismembered. About 90 bankers work for the investment unit and many already been

It is also understood that US investment banks keen to expand in Italy are

already considering luring away the entire Mediobanca Mediobanca's activities are split between its investment banking operations and its rich portfolio of holdings in

BCI's board yesterday said it would meet on Saturday to consider UniCredito's share exchange offer. Although there is expected to be resistance from allies of the Mediobanca old guard on the BCI board, bankers yesterday felt the balance was now tilted in favour of the Uni-Credito merger.

Banca di Roma's board yesterday postponed a decision on San Paolo-IMI's merger offer saying it needed to be examined more deeply. However, Italian bankers said the Rome bank was also expected to eventu-

SG and Paribas say merger could create extra synergies

have

By Clay Harris in London and Samer Iskandar in Paris

Société Générale and Paribas said yesterday their proposed merger would create €258m (\$281m) more in annual synergies by 2001, mainly through reduced costs, than they had initially thought.

The French banks predicted total synergies now exceeding €1bn would enable SG Paribas to achieve a return on equity of 18 per cent by 2001, against an original estimate of 15 per cent and a pro forma combined figure of 11 per cent in 1998. SG and Paribas gave details of their new forecasts announced in February, rather than the hostile bid

welcomed the move, whose main effect was perceived to b∈ increased pressure on BNP to improve its offer.

Yesterday's initiative comes ahead of a crucial meeting tomorrow of market regulators. Approval by the credit institutions committee (CECEI), chaired by the central bank governor and comprising treasury officials and bankers, is necessary for BNP's offers to proceed.

Its decision is seen as a watershed for French banking, Clearance for BNP's offer would be interpreted as taboo against hostile bids. in an effort to win support now expected total cost for their agreed deal, savings of €968m and reve-

signalling the end of a tacit SG and Paribas said they nue enhancements of €55m. They also promised to

ionale de Paris. Analysts ment hanking cost cuts of €732m within one year of completion. They said the revised busi-

ness plan would create €12.8bn in excess capital by 2001. Of this, €3.3bn would arise from reduction of low margin businesses, €1.2bn from profits on asset sales and €8.3bn from net income over the period.

Nearly half of the total. some €6.2bn, would be availshareholder value.

Daniel Bouton, SG chairadvertising campaign to defend the SG Paribas project was imminent. This week, BNP launched a radio advertising campaign.

BNP shares fell €1.15 to €76.80. SG was unchanged at €171 and Paribas closed 60 this month by Banque Nat- ted corporate and invest- cents up at €101.50.

ENERSIS

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NOTICE OF EXTRAORDINARY MEETING OF SHAREHOLDERS

OF

ENERSIS S.A.

Enersis SA. has called an extraordinary meeting of shareholders, at the request of shareholders, to vote regarding a bylaw amendment increasing the percentage of shares that may be beneficially owned by a shareholder from 32% to 65%.

The Board of Directors of Enersis has expressed no position on the proposed bylaw amendment. Shareholders and holders of American Depositary Shares are encouraged to express their views by voting. Important voting information is set forth below.

- Only ADS holders of record on March 17, 1999 are entitled to vote.
- If you are a registered holder of American Depositary Shares, you must deliver voting instructions to Citibank, N.A., as depositary, prior to 3:00 p.m., New York City time. Monday. March 29, 1999.
- If your American Depositary Shares are held in the name of a bank, brokerage firm or other custodian, it is recommended that you vote by Internet if instructions accompanying the proxy materials provide for voting by such method. Please allow sufficient time for your bank, brokerage firm or other custodian to forward your vote to Citibank, N.A. prior to the 3:00 p.m., New York City time, Monday, March 29, 1999 voting deadline.
- The Extraordinary Meeting of Shareholders will be held on March 30, 1999 at 10:00 a.m. (local time) at Centro de Convenciones Edificio Diego Portales. Avda. Libertador Bernardo O'Higgins 233, Santiago, Chile.

If you have any questions about the voting process, please call the Information Agent at the numbers below.

The Information Agent is:



Wall Street Plaza New York, New York 10005 Call Collect: (212) 110-9800 Call Toll-Free: (800) 223-2064

March 25, 1999

Fimalac bids for New chief quits

By Samer Iskandar in Paris

Fimalac, the holding company controlled by Marc Ladreit de Lacharrière, the secretive French businessman, yesterday launched a surprise takeover bid for Strafor Facom, the French tool and car components

.manufacturer. The move is the latest step in a reshuffling of the activities of Fimalac, whose main business is Fitch-IBCA, the financial rating agency created by the recent merger of Fitch, of the US, and the

Franco-British agency IBCA. Fimalac is offering €80 for each Strafor Facom share, valuing the target at €848m (\$924m), a 20 per cent preprice and 24 per cent more than the average price over the past month. Its offer is conditional on obtaining at least 50.01 per cent of outstanding shares.

Fimalac said it aimed to accelerate the international development of Strafor Facom, by giving it the means to become a world leader in hand-held tools". Last year, Fimalac sold holders by the end of May.

Sefimeg, its property arm, to a group of investors led by François Pinault, who controls Pinault Printemps Redoute, the retailing group fighting with luxury group LVMH for control of Gucci. the Italian fashion company.

In recent years, Fimalac also spun off its media arm and sold Sofres, the opinion polling concern. Strafor Facom has also

been restructuring, under the leadership of Paul-Marie Chavanne, who took the helm less than a year ago. Last month, it sold its 50 per cent stake in Steelcase Strafor Facom, an office furniture business, to its US joint venture partner Steelcase.

Yesterday's announcement threatens to block a plan by Strafor Facom to merge with Autodistribution (AD), a car components wholesaler. The deal was to be financed through the distribution of new Strafor Facom shares to AD shareholders, giving them 20 per cent of the

The plan, agreed between the two groups' managers, is to be submitted to AD share-

Strafor Facom | struggling CME

By Kevin Done, East Europe Correspondent

for both launched earlier achieve 40 per cent of expec-

Central European Media Enterprises (CME), the pioneer of privately owned commercial television in east Europe, has changed its senior management for the second time in 12 months after facing continuing heavy losses and a deep fall

in its share price. The company said Michel Delloye, chief executive for the past year, had resigned "to pursue other business opportunities".

Mr Delloye was previously chief executive of CLT, the international media group, and was instrumental in bringing about its merger in 1996 with Ufa, the television division of Bertelsmann to create one of Europe's biggest privately owned broad-

He has been replaced at CME by Fred Klinkhammer, who joined CME in January, 1998, as chief operating offi-cer and executive vice president. He previously operated an international broadcasting and telecommunications consultancy and held several

leading positions in broadcasting and cable television

operations in Canada. The company has faced serious financial problems in Poland and Hungary during 🐧 the past year. Ronald Lauder, one of the heirs to the Estée Lauder cosmetics fortune and controlling shareholder and non-executive chairman of CME, has been forced to provide additional equity capital to shore up

the group's finances. He injected \$22.725m into CME through RSL Capital, his wholly-owned company. In the past 12 months the CME share price has fallen to a low of under \$5 from a peak of \$30. It has risen to around \$8 per share in

CME has also strengthened its finances through a new \$15m loan syndicated by ING Barings, that was agreed two weeks ago, and it has sold its 9.6 per cent stake in Mobil Rom, one of two mobile phone operators in Romania. The group suffered a net loss of \$88.7m in the first nine months last

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(Incorporated with limited liability in England) £300,000,000 Undated Primary Capital Floating Rate Notes

> of which £150,000,000 comprises the Initial Tranche

In accordance with the Terms and Conditions of the Notes, notice is hereby given that for the three months period (92 days) from 24th March 1999 to 24th June 1999 the Notes will carry an Interest Rate of 5 9/16 per

cent per annum. The interest payment date will be 24th June 1999. Coupon No. 56 will therefore be payable on 24th June 1999 at £701.03 per coupon from Notes of £50,000 nominal and £70.10 per coupon from Notes of £5,000 nominal.



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Terms and Conditions of the Notes, that FCE Bank pic (formerly Ford Creck) Europe pic) will redeem all the outstanding captioned Notes on Payments of principal and interest will be made on or after May 10, 1999 it presentation and surrender of the Notes at the offices of any of the Paying Agents listed below. interest on the Notes will cease to accrue from the redemption date.

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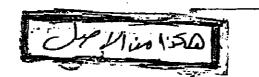
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CHASE March 25. 1999





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CPH makes bid for Hoyts **Cinemas**

Consolidated Press Holdings, the family company of Australian media tycoon Kerry Packer, has launched a A\$609m (US\$390m) takeover bid for Hoyts Cinemas, one

cinema chains. CPH has unveiled a A\$2.00 free to take over Seven Neta share offer for the ordinary shares of Hoyts Cinemas, to shares in Hoyts Cinemas

The Hoyts group has 1,662 cinema screens at 211 sites in Australia, New Zealand, the US. Mexico, Argentina. Chile. Uruguay, Germany and Austria.

CPH is already to entitled to 17.13 per cent of Hoyts stapled shares after securing options to acquire shares from Hellman & Friedman, the US investment bank, and Lend Lease, the large Australian property and financial services group.

Heliman has agreed to sell half its 25 per cent stake and Lend Lease will be selling all of its 4.6 per cent holding. It is understood CPH is happy with Hoyts' present strategy and views its bid as an investment rather than an aggressive takeover offer.

Last month Hoyts reported a 2.3 per cent rise in net profit to A\$15.58m for the half year to December 31, 1998. Peter Ivany. Hoyts chief executive, said at the time "the group is on track with the implementation of our considered and careful growth strategy worldwide cies". by upgrading to, and expansion of, new stadium-style

However Mr Ivany warned

Hoyts' scrip closed at A\$1.85

Meanwhile, Mr Packer said he still wanted to control John Fairfax, the Australian newspaper group, and that of the country's two leading News Corp, controlled by Rupert Murdoch, should be

vesterday, prior to the

announcement of the CPH

work, the television group. Mr Packer's CPH controls which are stapled common Publishing & Broadcasting (PBL), which owns the Nine Network and a stable of magazines. Cross-media rules prevent him buying Fairfax while foreign ownership rules restrict News Corp's expansion ambitions

in Australia. Speaking in a televised interview to mark the relaunch of PBL's flagship magazine The Bulletin, Mr Packer claimed the internet was making the Federal government's stance on media regulation redundant. "I think the world changes and you can't just sit there in isolation," he said.

He said he expected both sides of politics to eventually agree with him. This month the government asked the Productivity Commission to conduct an inquiry into the broadcasting laws to ensure competition among the country's television and radio

At the time Peter Costello. Federal Treasurer, tried to play down the significance of the inquiry saying it "does not signal any change to the government's media poli-

Responding to Mr Packer's comments yesterday Mr Costello said policy was not driven by Mr Packer's "comthat Hoyts full-year results mercial interests" but by would be "relatively flat". national interests.

Lazard Asia to buy HK publishing group

azard Asia Investment Management is acquiring Sing Tao, the Hong Kong listed publishing company owned by Sally Aw, Lazard announced on Tuesday.

A subsidiary of Lazard Asia's will purchase about 50 per cent of the shares of Sing Tao for HK\$1.25 a share. Lazard and Miss Aw were

on the verge of concluding a

Aw abruptly withdrew by creditors and the minority for the remaining shares. failing to attend the signing shareholders of Sing Tao. Miss Aw is then believed

of Lazard's proposal. Days later she entered into a transaction with China Enterprise Development Fund, a Dublin-listed fund. go through either because of In February, a Hong Kong Hong Kong Securities and are secured creditors of Miss court refused to give its Futures Commission regula- Aw and 3 per cent from comapproval for the deal.

The judge described the Lazard offer then as "infipurchase of more than 35 per nitely more advantageous" cent of a company's shares

The first of the control of the cont

Lazard said it would launch a general offer for all to have sought to sell her the remaining shares of Sing shares to another group of Tao at HK\$1.25 after it has buyers, but the deal did not purchased 47 per cent of the company from banks who panies controlled by her.

The SFC requires that a In January, hankruptcy petitions were filed against Miss Aw by Ho Ying-chie.

Other cross-border deals in

buying Credit Libanais and

16 per cent of Jordan's Hous-

As banks continue to con-

template cross-border deals,

some merger activity is already taking place within

The deal that is grabbing

the most attention is in

Saudi Arabia, the biggest

banking market in the

region. United Saudi Bank –

30 per cent owned by Prince Walid bin Talal and created

through the merger of

United Saudi Commercial

Bank and Saudi Cairo Bank -

is in preliminary merger

talks with Saudi American

Bank (Samba), 30 per cent

The combined entity,

which plans to retain the

Samba name, will have a

total market capitalisation of

Elsewhere in the region.

owned by Citibank.

\$5.6bn.

domestic markets.

ing Bank.

deal in December, when Miss for Miss Aw's unsecured must include a general offer chief executive of Hong Kong Tobacco, who said he had lent her HK\$270m (\$34.8m).

There was a further twist because Miss Aw has been at the centre of a controversy after the Hong Kong government prosecuted three of her employees for inflating circulation figures of one of the papers she owned, the Hong Kong Standard. The government said it did not have

Cost to income ratio for leading banks

cute Miss Aw. Elsie Leung, the justice

secretary, said an additional consideration was that it would not have been in the public interest since Miss Aw's staff might have lost their jobs as a result. That argument prompted severe criticism of the justice secretary, including a vote of noconfidence in the local legislature, which was defeated.

Arab banks approach the crossroads

Falling margins in an insular market prompt look at foreign fields, writes Roula Khalaf

unity and the vision of lan Arab economy has never produced more than a faint hint of economic integration in the Middle East.

And in banking there is only one bank in the region which can truly be called pan-Arabic - the Jordanbased Arab Bank, which is of Palestinian origin.

But even this region, which has tried hard to insulate itself from the trends sweeping the world, cannot remain isolated. As banking margins come under pressure, business opportunities shrink in the Gulf and increased competition takes hold in the more diversified economies. Consolidation, cross-border expansion and thus mergers and acquisitions are now the centre of

Although the merger wave in Europe and the US can not yet be said to have reached the Middle East, there are signs that it might. "Total assets in Arab

debate in Arab circles.

banks were put at \$410bn in 1997. equal to the size of one US regional bank, precisely the kind of bank that is told it is too small to survive in today's turbulent markets," writes Henry Azzam, chief economist at Middle East Capital Group, an investment bank trying to service the whole region. "We are not living in our

own oasis. Domestic markets are small and open to foreign competition. So it is better to be strong and consolidating than losing market

most of the region's markets banking has traditionally carried a prestige that overrides any economic ratio-In some countries, families

started banks to fund their other businesses and gradually turned the institution into a family jewel. "Many banks prefer to be a big fish in a small pond," notes Gordon Scott, analyst at rating agency Fitch IBCA. Banking has been an easy, profitable business, feeding

in many cases on government contracts and privileged political connections. This has encouraged complacency. Moreover, with often stringent labour laws that differ from country to country and

varying regulatory environments, reaping the fruits of cross-border consolidation through cost-cutting is far less promising than in the But Middle East banking

is at a crossroads. Analysts predict that strong banks will increasingly look to the region for opportunity and to boost their profits.

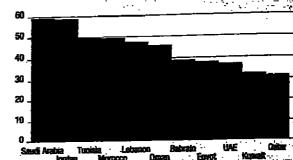
While some will take license to start a branch in advantage of last year's deci-Saudi Arabia. sion by the Gulf Cooperation Council (GCC) - Saudi the past two years - where Gulf institutions have taken Arabia, Oman, the United stakes in banks in more Arab Emirates, Bahrain, There are many disincen-tives to consolidation. In banks to open branches in diversified economies include Emirates Bank Interother GCC countries, others national acquiring 10 per cent of Bank of Beirut and will be looking for strategic alliances or taking stakes in Bin Mahfouz Group, the largbanks in neighbouring coun- est shareholders in NCB.

> ndrew Cunningham, Asenior analyst at Moody's, says that one valuable basis for consolidation could be between banks in countries needing technology, such as Egypt or Tunisia, and banking systems ch as the Saudi one which has reached high levels of sophistication.

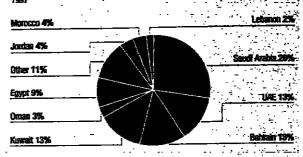
So far, the role model for regional wholesale banking is Gulf International Bank (GIB), based in Bahrain. With significant activity in loan syndication across the Gulf, it decided at the end of last year to acquire the London-based Saudi International Bank One of the main examples

of consolidation, the deal is expected to open new Arab markets for the bank and take it into corporate finance and fund management.

the overbanked Lebanese Analysts also expect GIB market - with nearly 80 to be the first bank to enter institutions - has seen the other Gulf markets, as it is most mergers and acquisibelieved to be seeking a tion activity, driven by



Capital distribution by country for top 108 Arab banks



central bank.

The recently announced plan by Banque Byblos to merge with Banque Libanaise pour le Commerce creates the biggest market capitalisation in the industry (\$840m) and is likely to speed up other banks' search for

merger partners. London-based Blakeney Management says Lebanon could see 20 or 30 more mergers. "No one admits it

encouragement from the but there is also a not so However not all proposed

> mergers in the region have met with enthusiasm from investors. Mr Cunningham says banks will have to prove that bigger is better. "The question is: Do you have to be big or is it better to be a medium sized bank that is good at what it does? Being big for big's sake is

France Telecom: accelerating growth

Profit from ope and benefit from it."

1997	1998		1997	1993
Su len	of FFF		Eline	1915
153.60	161.7	Conscingated Revenues	23,42	24.65
57.83	58.6	E8TTBA	8.51	8.94
25.7	28.0	Operating wourne	4.07	4.27
14,9	15.1	Ast Income	2.27	2.30

Rising Revenues

In 1998, France Telecom's revenues rose 5.2%, compared to 2.4% in 1997. and now stand at FRF 161.7 billion (€ 24.6 billion). This achievement reflects steadily accelerating revenue growth throughout the year. The most significant increase occurred in the areas of mobile telephony (+ 44%), leased lines (+ 16%), and information services (+ 19%). Revenues from abroad also showed strong growth (+ 39%) and now account for 9.3% of consolidated revenues.

Operating income stands at FRF 28 billion (€ 4.27 billion), an increase of 4.9%. Our net income for 1998 was FRF 15.1 billion (€ 2.3 billion), up from FRF 14.9 billion (€ 2.27 billion).

Surging Telephone Traffic

Telephone traffic showed a 9.2% increase, slightly exceeding our target. The volume handled from start to finish by France Telecom rose 6.4%.

High-Growth Business

In mobile telephony, we had an outstanding performance, with significant growth in both traffic and number of subscribers. France Telecom is the number one mobile phone company in France, with close to a 50% market share and an increase of nearly 82% in the number of Itineris subscribers.

Once again, our growth in the Internet field has been exponential. In a single year, traffic increased fourfold, the Wanadoo subscriber base fivefold (500,000 subscribers), and our market share doubled.

Our international business was marked by the strengthening of our alliance with Deutsche Telekorn and new investments in eight countries.

Dividends

At the Shareholders' Meeting on May 20th, 1999, a net dividend of 1 euro per share (+ € 0.5 tax credit) will be proposed.

http://www.francetelecom.fr

1998 ANNUAL RESULTS

1998 was marked by further growth in telephone traffic and the rapid development of mobile phone, Internet and international activities in an increasingly competitive context. France Telecom has succeeded in consolidating its position, demonstrating both its determination and the soundness of its marketing

policy. Internationally, France Telecom has extended its activities, particularly in Europe, and realized its first operational synergies with Deutsche Telekom. In 1999, France Telecom intends to maintain and develop its strategy for growth in high-potential areas like the Internet, mobile telecommunications,

• France Telecon: the French "Net Company" with a leading position in Internet access

and international markets.

Mobile telecommunications: targets for the year 2000 already reached in 1998

Construction of a trans-European network with Deutsche Telekom is under way

France Telecom in touch with its shareholders

• 20:05/99:

Annual Shareholders' Meeting



Let's build a smarter world

ASTRA

SOCIÉTÉ EUROPÉENNE DES SATELLITES S.A. (SES) Information to FDRs holders

- Notice is hereby given of the Annual General Meeting

of Société Européenne des Satellites S.A. to be held, according to article 18, paragraph 1 of the SES Articles of Incorporation on

Thursday, April 15, 1999 at 10:30 a.m.

at the Company's registered office at Château de Betzdorf, L-6815 Betzdorf (Grand-Duchy of Luxembourg)

1. Attendance list, quorum and adoption of the agenda

2. Nomination of a secretary and of two scrutineers

3. Presentation by the Chairman of the Board of Directors of the 1998 Activities Report of the Board 4. Presentation by the Director General, Chairman of the Management Committee, of the main developments of the

Company during 1998 and perspectives 5. Presentation by the Director of Finance, Member of the Management Committee, of the 1998 financial results

6. Presentation of the audit report

7. Approval of the balance sheet as of December 31, 1998 and of the 1998 profit and loss account

8. Ratification of appointments to the Board of Directors and the Management Committee since the last Annual Meeting

9. Discharge to the members of the Board of Directors 10. Discharge to the auditor

11. Decision on allocation of the 1998 profits Conversion of the corporate capital into euros

Transfers between reserve accounts

14. Appointment of the auditor and determination of remuneration 15. Appointment of the Board of Directors

a) Determination of the number of the members of the Board of Directors b) Determination of the duration of the mandate of the members of the Board of Directors

c) Appointment of the members of the Board of Directors d) Determination of the remuneration of the members of the Board of Directors

Voting Instructions

The FDR (Fiduciary Depositary Receipt) holder is entitled, subject to applicable provisions (e.g. Luxembourg Law, the Articles of Incorporation, shareholders thresholds and Concession Agreement) to instruct the Fiduciary as to the exercise of the voting rights by means of a voting certificate available on request at the bank where his FDRs are held.

In order for the voting instructions to be valid, the voting certificate form must be completed and duly signed by the FDR holder or, as the case may be, the beneficial owner. Upon receipt on or before the date determined by the Fiduciary (being April 12, 1999 at 12:00 a.m.) of the voting certificate with such certification and evidence as requested by the Fiduciary or by the Company, the Fiduciary shall transmit to the Company the relevant certifications and supporting evidence and the Company shall verify whether the relevant holders of FDRs or the beneficial owners thereof would qualify as an A-shareholder of the Company if in lieu of FDRs they would hold the corresponding number of A-shares.

If within 8 Luxembourg business days from the receipt of such certification and supporting evidence, the Company has not notified the Fiduciary of its rejection of the request of a holder to exercise his voting rights pertaining to the A-shares underlying his FDRs, the Company shall be deemed to have accepted the relevant voting request.

After receipt of the written approval of the voting request by the Company, the Fiduciary shall vote or cause to be voted in accordance with the instructions set forth in such requests. The Fiduciary may designate and appoint authorised representatives to attend the meeting and vote on behalf of the FDR holders.

The voting instructions are deemed to be irrevocable and definitive 48 hours prior to the time for which the meeting has been convened i.e. at the latest on April 13, at 10:30 a.m. If the Fiduciary has not received voting instructions from the FDR holder, the Fiduciary shall be deemed to have been instructed

to vote in the manner proposed by the Board of Directors in the relevant meeting. When an FDR holder completes a voting instruction, this will automatically result in a blocking of the FDRs so that they cannot

be sold prior to the Annual Meeting.

Withdrawal of A-shares

If an FDR holder wishes to attend the Meeting in person, he has to be recorded as a shareholder in the share register of the Company. Consequently, the FDR holder has to request the conversion of FDRs into A-shares in accordance with condition 12 and 16 of the Terms and Conditions of the Fiduciary Deposit Agreement dated July 5, 1998 as described in the Offering Circular. This is available at the bank where his FDRs are held.

The latest date for withdrawing FDRs and converting to A-shares for personal attendance at the Annual General Meeting is the 1st of April 1999, at 4:30 p.m.

Documents Made Available by SES

Documents made available by the Company (the Annual Activities Report of the Board of Directors, the Audit Report, the Annual Accounts and the Consolidated Accounts including Balance Sheet and the Profit and Loss Accounts, the Recommendations of the Board of Directors) for the purpose of this Annual General Meeting may be inspected during normal working hours by the FDR holders at the offices of the Fiduciary i.e. Banque et Caisse d'Epargne de l'Etat, 16, rue Zithe L-2954 Luxembourg.

Betzdorf, March 1999

NORWEGIAN BANKING

Law change urged to block foreign bidders

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The Norwegian Bankers' Association yesterday called for speedy changes to the country's financial regulations to defend its banking purposes industry from foreign take-overs as consolidation sweeps European banks.

The call came a day after Den norske Bank, Norway's largest bank, announced plans for a NKr4.5bn (\$582m) takeover of Postbanken, a state-owned bank. Bjarne Borgersen, chief

executive of Fokus Bank which is in the process of being taken over by Den initiative by Bengt Dennis, a Danske Bank, Denmark's largest - outlined a "wish list" to Norway's political and financial industry elite. 'We don't feel the authori-

ties or parliament are fully aware of how fast it |consolidation) is going. In a way, they [the authorities] are negative to the consolidation process in Norway."

Mr Borgersen called on the sens suggestions. Mr Borgerper cent capital requirement. under which Norwegian banks have to set aside reserves for capital adequacy

He said the system should be replaced by a more liberal regime as practiced by most European countries. He also said banks should be allowed access to new capital through tier one instruments, such as commercial

Mr Borgersen proposed the establishment of a commission, similar to a Swedish previous Swedish central bank governor, to identify measures to sharpen the financial industry's competitive edge. The aim is to have the Norwegian changes in place by 2000.

Lars Gunnar Lie, leader of the parliamentary finance to merge with Christiania committee, said the govern- Bank, Norway's second largment was open to Mr Borger- est, and Fokus Bank.

government to abandon a 7 sen also proposed speeding up a bank commission pro ership ceiling in Norwegian banks from 10 per cent to 30 per cent, so that the law takes effect within two years. The 10 per cent restriction makes it harder to acquire Norwegian banks and has resulted in making Norway one of the most frag

> Under Tuesday's deal, the enlarged Den norske Bank, which has assets of NKr315bn, will build on Norway, giving a domestic and 15 per cent in retail and corporate banking.

mented banking sectors, he

Postbanken initiated exploratory talks with DnB after Christmas, following

Ulead Systems lists on Taiwan's OTC market

By Mure Dickie in Taipei

Ulead Systems yesterday became the first pure software company to be quoted on Taiwan's over-the-counter stock market, marking a vital step forward in the development of the island's nascent software industry. Ulead was the first of at

least three software companies expected to make public share issues in the next few months, ending the sector's virtual exclusion from capiics industry.

Government officials said there was now a trend toward easing listing requirements that favour companies with hefty tangirely on management skills

While Taiwan's software companies are tiny compared with their giant hardware cousins, analysts say greater access to capital. concentration of electronics rules. expertise and enthusiastic government support, could spell spectacular growth for

Ulead, which saw revenues from its imaging applicathe company would clear the rities & Futures Commisway for a T\$60m issue of new shares in the next few months. Ulead is also considering applying to become the first software company on the Taiwan Stock Exchange. Entrepreneurs said Tai-

and programming talent, wanese regulators' reluctance to approve software company listings was based partly on fears that employees could quit after any issue - fears that have been combined with the island's assuaged by special new

Under the terms of its listing, big Ulead shareholders were restricted from selling their stakes in the company for twice as long as would be tions and other products ing in hardware, said Lotus Chen, company co-founder

Andrea Lee, head of intersion, said the restrictions were aimed at making up for software companies' lack of more substantial assets, but added that such barriers were likely to be lowered in

soar 40 per cent in 1998 to tal markets that have played T\$615m (US\$18.6m), said yes- and senior vice president. an important part in the rise terday's public issue of 10 of Taiwan's mighty electronper cent of existing shares in national affairs at the Secu-

Further OTE sale planned

By Kerin Hope in Athens

Greece's government plans to sell ment banks Salomon Smith been sold in three public another 13 per cent of OTE, the public telecommunica- First Boston acted as global ment with international tions operator, this year as co-ordinators for last year's institutions. part of a drive to increase offering and have advised privatisation revenues.

The sale may be split OTE's share price has lequally between a public underperformed the Athens offering, which would be stock exchange index by 14 placed with retail investors in Greece and international institutions, and a convert- tors were concerned over ible bond issue. The govern- lower than projected earnment would receive all the ings in 1998, a sharp rise in

and timing of other international telecoms issues this year, a bond option could be December of George Chrysattractive." said a senior Greek banker. "It would appeal to a different category of investor."

OTE on investment issues.

per cent over the past three months. Analysts said inves-"Depending on the size ing reports of differences significantly cut the public between senior managers, debt again this year. It also following the sacking last soluris, the chief executive.

The disposal would reduce the state's holding in OTE to Petroleum, the state-con-49 per cent, the ceiling set by

National Bank of Greece, the government for equity the country's biggest bank- sales in utilities. Thirty-five Socialist ing group, and the invest- per cent of the company has Barney and Credit Suisse offerings and a private place-

> The remaining I per cent would be made available to OTE's share price has investors who kept their shares for 12 months after participating in last November's offering of 10 per cent of OTE.

The finance ministry record of Drl,100bn (\$3.7bn) operating costs, and continu- in privatisation revenues to plans to sell equity stakes in Greece's two water utilities, and make another public offering of shares in Hellenic trolled oil refining group.

Hoechst

Invitation to the Annual General Meeting

Notice is bereby gwen that the Annual General Meeting will be held at 10 a.m., on Tuesday, 4 May 1999, at the Jahrhunderthalle Hoechst, Frankfurt am Main.

1. Presentation of the annual financial statements and the consolidated financial statements as well as the management report of Hoechst AG and the Group management report for fiscal 1998, together with the report of the Supervisory Board.

2. Use of unappropriated retained earnings for fiscal 1998

3. Ratification of the acts of the Board of

4. Ratification of the acts of the Supervisory

5. Merger of FGC Frankfurter Gesellschaft für Chemiewerte mbH with Hoechst AG

7. Election of the Auditors

The full agenda, including the proposed resolutions, is contained in the Bundesanzeiger no. 58 of 25 March 1999.

Shareholders wishing to be present and to vote at the meeting must comply with Article 13 of the Articles of Incorporation and deposit their shares certificates during usual business hours by Tuesday, 27 April 1999, at the latest, until after the Meeting at one the depositories listed in the Bundesanzeiger, or in the United Kingdom, at the

offices of Warburg Dillon Read London EC4V 3SB

Hoechst Akriengesellschaft Frankfurt am Main,

The plug is pulled on the fast buck crowd

US power market is consolidating as back office operators fail to stay pace, writes Hillary Durgin

t the power trading stand the buildings of some t the power trading state of the biggest names in the industry. Shall Oil Dynegy, floor, the Weather Channel's female anchor babbles from a TV monitor on mute during the station's non-stop. 24-hour weather coverage. She points to cartoons of snowfall in the north-east and sunshine in the south emblazoned on her large US weather map.

Thirty-something traders consult the screen, searching unusual weather patterns that can choke off energy supplies and send electricity prices skyrocketing. As they lean into their microphones to place million dollar bids DnB's leading position in to buy and sell power across the country, they glance at a market share of 21 per cent | wall of US maps, clocks and computer screens tracking on-line trading data. Never has a simple

weather forecast enjoyed so much clout on a financial

This is the trading hub of one of the largest merchants of natural gas and power in the country. As the US electric power industry undergoes deregulation, Enron is one of the hundreds of energy marketers, utilities, banks and others vying for stakes in a \$300bn wholesale gas and power business that is rife with risk and rapidly consolidating.

Houston, headquarters to any of the natural gas marketing and pipeline companies that were the first to break into the power trading office. "Unless you're willing business, has become the to invest, to be patient, and epicentre for buying and to stand behind your people, selling power and other forms of unit of energy. Towering over one of Houston's have been a series of billion-

industry: Shell Oil, Dynegy, El Paso Energy and Reliant Energy, formerly Houston

Characterised by huge volatility and slim margins, the industry has lately become even more competitive as the tightly regulated industry undergoes liberalisation. It is still reeling from price spikes that saw the cost of electricity go from \$30 to \$7,500 per megawatt hour in the Midwest last June. In a heat wave that sent temperatures soaring and left utilities scrambling for power, a few thinly capitalised merchants and their traders

nertain regions suffered blackouts, and several Ularge utilities, including LG&E Energy of Kentucky. reported steep financial losses, prompting them to get out of power trading alto-

gether. Power Co of Amer-

ica, a large merchant, went

underestimated the volatility

and failed to deliver power

they had promised.

bankrupt. "We're beginning to see companies realise how much they've got invested in a husiness that doesn't appear Wesley Colwell, a partner with consultant Arthur Andersen, referring to the scores of companies that set up as power marketers with

it's not for [voul," downtown thoroughfares dollar electric and gas trans-

forsake the competition to larger peers. The buyers want to increase their access to gas supplies, pipeline transportation and power generation capacity.

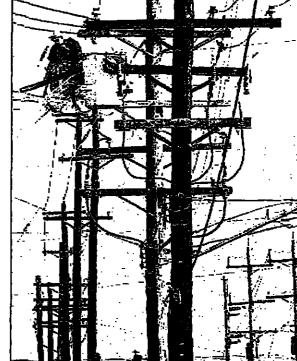
More assets give their traders a bigger platform supplies, particularly at times of market tightness, and to reach more custom-

El Paso Energy, for example, recently agreed to buy Sonat in a \$3.9bn stock deal to create the largest transporter of natural gas in the US. And Reliant Energy, a Houston electric company which has invested heavily in US natural gas distribution, agreed to buy Una, a for about \$2.4bn.

By having broader access to power, gas and coal in Europe, Reliant says it can better compete for new customers as Europe's power markets are liberalised.

"If you look at the players of the future, they're going to have to be huge," says Jeffrey Skilling, Enron's president and chief operat ing officer. "Over the next 10 years, consolidation will be intense and from a pool of to have any assets," says about 140 investor-owned utilities and 25 pipeline companies, you'll probably end up having three or four extremely large wholesale merchants for gas and elecnot much more than a back tricity on the continent," he

While wholesale customers such as utilities and municipalities are fair game, In the last weeks, there the market to residential and small businesses is still



Power play: the energy market is rapidly consolidating AP

The endgame is to move power from regions where it is valued less to where it costs more. When a cold front moves across the country, Enron uses its network of pipelines, power plants and trading contacts to take surplus gas and power from some areas and deliver it to

Following last summer's debacle, however, the energy

their power plants to their traders' resumes in an effort

others in need.

industry has undergone a serious round of self examination, calling for better financial controls and trading practices. Companies are

to survive. Enron's trading desk, exec-

utives are quick to point out, is not the typical cowboy operation of risk that cost some of its competitors. These traders are a mix of mathematicians. PHDs and ex-military personnel, and they emphasise that even amid extreme price volatility, they are not buying one second and selling the next to turn a wild profit.

"We're selling reliable delivery at reasonable

THIRD IN A SERIES

1998 WAS A YEAR MARKED BY A GROWING APPRECIATION FOR THE ROLE OF GOLD AS A MONETARY ASSET. AROUND THE GLOBE LAST YEAR, DEMAND FOR GOLD AS AN INVESTMENT RECORDED STRONG GAINS.

- In the United States, private investment in gold bullion coins grew spectacularly to a record 75 tonnes — more than doubling 1997's level.
- US gold purchasers cited financial-market volatility, rising concern over the Y2K computer bug, and increasing investor recognition of the importance of portfolio diversification.
- In Japan, the "Big Bang" financial reforms triggered renewed interest in gold's value in portfolio diversification -- resulting in a 29% annual growth in investment demand.

FACTS...GOLD...FACTS

- Demand for gold as an investment also grew in the world's emerging economies. In India, where gold is one of the principal forms of holding private wealth, demand grew 11% over 1997 - marking the fourth consecutive year that gold demand set a record high.
- And in the Asian countries hardest hit by the financial crisis earlier in 1998 (including Thailand, Indonesia and Korea), gradual recovery brought strong growth in bar and coin demand - up 21% for the year.

THE STORY OF THE PAST DECADE HAS BEEN ALL ABOUT THE ACCUMULATION OF WEALTH. THE STORY NOW IS ABOUT THE PRESERVATION OF THAT WEALTH. INCREASINGLY, INVESTORS AROUND THE WORLD ARE TURNING TO GOLD.



WORLD GOLD COUNCIL

www.gold.org

Source: Gold Demand Trends - No. 26, World Gold Council, February 1999. Full text available on-line: www.gold.org

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CEO pay soars as mergers multiply

Mergers may or may not be

they are certainly good for small loss. chief executives. from a recent spate of execu-performance-challenged well for him. In a controvertive pay awards big even by modern American standards. US executive pay expert. And shareholders seem pow-

erless to do much about it. Earlier this week, Bankers Trust revealed that Frank Newman, its chairman, had \$105m after his institution's point - and Mr Silverman been guaranteed a salary and bonuses worth at least \$11m a year until the end of 2003, following the merger with Deutsche Bank.

Including an extra \$14m due to him because the US bank has agreed to be Mr Newman with a guaranteed \$69m - even if the

IBM in \$3bn

disc drive link

That is one conclusion most charitable about it, is a CEO." says Bud Crystal, a sial move. Cendant lowered handed to Mr Newman.

Another bank chairman merger with NationsBank last summer. His departure came in the wake of big losses in last autumn's volatile financial markets.

And even when a merger goes disastrously wrong, it nies combine, pay levels seems, chief executives can tend to "shift to the highest bought out, that will leave come out on top. Henry Silverman, chairman of Cendant, presided over one of merger proves a disaster. the most spectacular corpo-

By Richard Waters in New York known for delivering a great The discovery of alleged where John Reed, former return to shareholders: in its accounting fraud at the for-final year of independence. mer CUC, which merged his pay jump from \$4m to good for shareholders, but Bankers Trust posted a with Mr Silverman's HFS to \$9.5m last year to put him in form Cendant, sent the com-"Frank Newman, to be pany's stock plunging.

Yet all has now turned out the strike price on stock though, that have most antaoptions issued after the gonised shareholder groups. David Coulter, the former share price had collapsed. head of BankAmerica - quit The stock has since more with a package valued at than doubled from its low exercised options and sold stock worth \$61m last year. At the same time, mergers

have had the effect of raising the overall level of top executive pay. When two compacommon denominator", says Ann Yerger, research director at the Council of Institutional Investors. She points

By John Barham in São Paulo

Yet another small Brazilian

the same league as Sandy Weill, former chairman of Travelers Group. It is deals like those

"At the end of the day, the directors can cut deals like this and there's not a damned thing shareholders can do about it," said Jamie Heard, head of Proxy Monitor, which represents large institutional investors. "Golden parachutes" and

other benefits for chief executives who sold their companies were introduced in the early 1980s for a purpose, says Mr Crystal: they



nteed S69m Reuters

ny's interest. But the escala- now turned all the way

reduced the incentive to tion of such awards may around to a point where resist a takeover approach now have produced the companies are being bribed Yet Mr Newman is hardly rate debacles of last year, to the case of Citigroup, that would be in a compa- opposite effect, he adds. "It's to agree to takeovers."

Third Brazil bank shuts doors

By Victoria Griffith in Boston and Louise Kehoe in San Francisco

EMC, the US computer data storage group, has agreed to buy \$3bn in disk drives from rival International Business Machines in a five-year technology and business alli-

The alliance highlights IBM's commitment to to other computer equipbecoming a brand-name ment manufacturers. components provider. Eara similar partnership to sup- power in the computer stor ply \$16bn worth of semiconductor chips and other components to Dell Computer, way to substantially grow its the personal computer manufacturer, in the biggest technology alliance of its

"This is an extension of IBM's Dell deal and shows at Credit Suisse First Bosthe company is willing to ton. work with competitors to leverage its leading edge of an alternative disk drive technology," said Steven Mil- supply to Seagate, from unovich, a computer analyst with Merrill Lynch.

division anyway for IBM."

Company will commence on 25 March 1999.

Authorised

Number

514,489,044

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admission to the Official List of the bearer shares of Thyssen Krupp AG (the "Company"). It is expected that dealings in the bearer shares of the

THYSSEN KRUPP AG

(Incorporated and registered in Germany with

registered number HRB 37003 at Amtsgericht Dusseldorf)

INTRODUCTION

Warburg Dillon Read

A division of UBS AG

of 514,489,044 Bearer Shares of no-par value

SHARE CAPITAL

Bearer Shares of

A document which comprises listing particulars in connection with the

merger of Thyssen Aktiengeselfschaft and Fried, Krupp AG Hoesch-Krupp

has been published and is available for public inspection during normal

at the Company Announcements Office, London Stock Exchange, Old

hours up to and including 8 April 1999 from:

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Broad Street, London, EC2N 1HP, and is available during normal business

FMG MIR SICAV

Société d'Investissement à Capital Variable 10A, Boulevard Royal, Luxembourg R.C. Luxembourg B 53.392

NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting of Shareholders of FMG MIR SICAV will be held at the registered office, 10A, Boulevard Royal, Luxembourg.

on Tuesday 20 th April, 1999 at 11 a.m.,

I. Management Report of the Directors for the year ended 31st

2. Report of the Statutory Auditor for the year ended

3. Approval of the Annual Accounts for the year ended 31 st December, 1998 and appropriation of the earnings.
4. Discharge to the Directors in respect of the execution of their

for the purpose of considering the following agenda:

Election of the Directors for a new term of one year.

of the Company where proxy forms are available

6. Election of the Statutory Auditor for a new term of one year.

The present notice and a form of printy will be send to all registeres shareholders on record at 29 th March, 1999.

In order to attend the meeting, the owners of bearer shares are required

to deposit their shares before 13 th April, 1999 at the Registered Office

The registered shareholders have to inform by mail fletter or proxy

(orm) the Board of Directors of their intention to assist at the meeting

By order of the Board of Directors

31 st December, 1998.

before 13 th April, 1999.

However, IBM said it remained "resolutely committed" to the data storage

man and chief executive, sees component sales as one of the biggest areas of potential growth for IBM, enabling it to leverage its research and development spending to achieve incremental sales

The latest sales agreement lier this month IBM formed also signals EMC's growing age market.

> disk drive business is acknowledgement that EMC is clearly the dominant player in storage now." said Amit Chopra, equity analyst

Lou Gerstner, IBM chair-

"That IBM sees this as a

The alliance assures EMC which the company now buys about 50 per cent of its advantages IBM's own stor- the agreement is likely to ny's attitude is 'tough', gies, such as microproces-That's an underperforming sors and advanced custom

Issued and fully paid

Number

514,489,044

25 March 1999

with rival group the third since the Real crashed by 40 per cent in January. However, unlike the closure of its two predecessors, the closure of Banco Crefisul may signal the beginning of the end of a large and well-known local business group.

São Paulo-based Crefisul's largest shareholder is which owns two department Ricardo Mansur, a self-made man and one of Brazil's most flambovant entrepreneurs. He also owns the country's main retail chain, which went into sharp decline at

ployment and interest rates rose. However, financial bank has closed its doors, investors are hardly clamouring to buy Mr Mansur's crown jewel, Casa Anglo. Most Brazilian banks and

> ised and well-managed. They have managed to survive the devaluation with relative However, some weaker groups such as Casa Anglo,

store chains, have edged closer to the brink. was winding up Crefisul, because its lingering liquidity crisis deteriorated as

Mansur, to Casa Anglo. Casa market analysts worry that Anglo, which owns Mappin, a local department store chain, and its sister company Mesbla, has struggled to pay rents and suppliers on companies are well-capitaltime.

its connection, through Mr boosted incomes and opened access to middle and low income families to credit. Big US and European groups now control most of Brazil's biggest supermarkets. JC Penney was the first

foreign company to enter the local department store sector with its acquisition in January of Lojas Renner, a successful family-owned group based in southern Brazil. In contrast, Casa Anglo has not published accounts for a year.

Its ownership structure is said to be a spider's web of interconnected companies ultimately controlled by Mr Mansur at the centre. It is

Piper Jaffray in Israel move

US Bancorp Piper Jaffray, the US investment firm, yesterday sealed a strategic alliance with Nessuah Zannex, a Tel Aviv invest- the third "significantly ment bank, in an effort larger". to tap into Israel's technolsectors.

institutional sales operation opportunities for us". in April in New York.

Notice to the holders of

The Mitsui Trust and Banking Company, Limited

U.S. \$100,000,000

2% per cent. Convertible Bonds 2001

Pursuant to Clauses 7 (A)(vii) and (B) of the Trust Dend dated A'th September, 1986 (the "Trust Deed") relating to the above-captioned Bonds (the "Bonds"), notice is hereby

green as follows:
In accordance with the resolutions of the Board of Directors of the Bank adopted at its meetings field on 4th and 12th March, 1964, the Ronk will issue the First Sense 715,000,000 Preferred Shares (the "Preferred Shares") convertible into shares it contents such of the Bank (the "Shares") or the mutual conversion prace of Y116 per Share which is less than the current market price per Share (a defined in the Trust Deed) on 31st March, 1999 (the date of lauer of the Preferred Shares) of Y116,90 per Share.

The usue of the Preferred Shares will result in the adjustment to the Conversion Price (a efficied in the Triust Dead) of the Bonak effective as from 1st April, 1999 (Japan time).

to a not possible at the present time, however, for the Bank to determine the adjusted Conversion Price of the Bonds because the number of Shares issued on 3 is March, 1999, a necessary component for the calculation of the adjusted Conversion Price pursuant to Condition 5 (C)(rs) of the Bonds is not known yet. We will notify you of the adjusted Conversion Price fortherth upon the development on these of

25th March, 1999 The Mitsui Trust and Banking Company, Limited

NOTICE

The United Mexican States

Value Recovery Rights, Series A

NOTICE IS HEREBY GIVEN pursuant to the Fiscal Agency Agreement dated as of March 28, 1990 (the "Agreement") under which the above Rights were issued that the Fiscal Agent has received a Calculation Report for the Payment Date occurring on March 31, 1999 from the International Monetary Fund, as Calculation Agent for the Rights under the Agreement, setting forth the following amounts:

USS USS

Based upon the Calculation Report the Fiscal Agent has calculated for

CITIBANO

Current Oil Price Reference Off Price Current Oil Revenues Excess Base Revenues Excess Price Revenues

Value Recovery Payment Camplonised Amount

markets for Piper Jaffray, said plans for three Israeli IPOs on Nasdaq in New York were already under way - two worth \$30m-\$50m,

Paul Grangaard, director ogy and health care of investment banking for the technology-oriented US Nessuah Zannex will be group, said Israel's expertise "This deal potentially dis- disk drives. In the future, Piper Jaffray's representa- in telecommunications, Brothers, operate in Israel tive in Tel Aviv and the two internet and enterprise soft through their own offices. age business, but the compa-include other IBM technolo- firms will launch a joint ware, provided "three good

The agreement comes Bruce Aamoth, managing amid growing foreign inter-

companies.

The value of mergers and acquisitions between Israeli companies and overseas groups has reached \$1.1bn so far this year, compared with \$2.13bn for all of

Several overseas investman Sachs and Lehman Minneapolis-based Piper

lished in 1992 as one of the \$76bn in assets.

director of equity capital est in Israeli technology first local firms to service foreign investors.

"This is a low-cost way to Aamoth.

Nessuah Zannex controls about 36 per cent of foreign investment on the Tel Aviv ment banks, including Gold- Stock Exchange, and has participated in 158 offerings since 1993.

Medcast reveals

By Betty Liu in Atlanta

Medcast Networks, owned by Atlanta-based Greenberg News Network, yesterday unveiled a computer designed specifically for doctors, incorporating a system that customises and downloads medical information off the internet and on to a

well as physicians, filters news from journals, medical conferences and wire reports so that only information relevant to the doctor's field

ease of use of his machines to those Michael Bloomberg created for the financial services industry.

salespeople in 65 cities

across the US. The potential market is huge, Mr Greenberg says. Eighty per cent of the 700,000 or so practising physicians in the US do not have a computer in their offices and even fewer have internet access. He declines to make financial projections for the company.

Plans are under way for an initial public offering later in the year to help fund the company's expansion. according to Rusty French, a general partner at Noro-Moseley Partners, one of the investors of Medcast.

Medcast has a rival in WebMD, another Atlanta-based online medical information provider which has already formed alliances with America Online, Lycos and even CNN.

The company plans to raise \$55m later this year through a share offering. WebMD is decribed as a portal where users can obtain medical information and stop.

Pearson sues over lost Viacom deal

By William Lewis in New York

Pearson, the UK-based media company, is alleging that that Hicks Muse had Hicks, Muse, Tate & Furst, the private equity group. tice of breaching its commitreneged on a deal to pay ments to acquire businesses Pearson \$860m because the and reneging on transactransaction no longer met its tions prior to closing even internal financial targets.

owner of the Financial Times, against Hicks Muse in a New York state court. Last May Pearson agreed to pay \$4.6bn to Viacom for its educational publishing business in an auction. Pearson says that it worked with Hicks Muse during the bidding process and that in July Hicks Muse agreed to acquire from it the US business, professional and referthe Simon & Schuster educa- total of \$2.2bn. tional publishing division of

Viacom for \$860m. However, in November Hicks Muse told Pearson that it was terminating their deal, citing a "material adverse effect". In the lawsuit Pearson claims that no material adverse effect had taken place, and that Hicks Muse pulled out because it

was unable to finance the transaction.

Pearson is also alleging "engaged in a regular prac-

after signing a binding The allegation is contained agreement when Hicks in a lawsuit filed by Pearson, Muse's subsequent internal economic analysis reveals that a transaction may not meet its undisclosed investment policy".
The suit claims Hicks

Muse's policy is to seek a gross rate of at least 30 per cent and either a tripling or a quadrupling of its capital. Pearson says that in 1998 the private equity group

breached three binding agreements, including the ence publishing segments of deal with Pearson, worth a

Hicks Muse said: "We are familiar with the allegations in the Pearson suit. We have told them that the claims are without merit. We intend to defend them vigorously. We also believe we have valid claims against Pearson which we intend to assert." Pearson declined to com-

NEWS DIGEST

COSMETICS

Revion investors smack their lips over bid talk

Shares in Revion, the cosmetics company which makes Color Stay 'won't-kiss-off' lipstick, have risen by about 45 per cent in two days on speculation of a possible bid from Unilever or Procter & Gamble. None of the companies would comment on the speculation.

Carla Cassella and Steve Ruggiero, fixed income analysts at Chase Manhattan, said any bidder would have to pay almost \$3.3bn in debt and equity to avoid a default on the holding company's bonds. Since 1986 Revion has been controlled by MacAndrews & Forbes, the private holding company of Ron Perelman, the New York financier.

Revion would be more attractive to Unilever strategically. analysts said, as the owner of Elizabeth Arden and Calvin Klein cosmetics is strong in skincare but lacks a presence in the colour cosmetics market. However, Mr Ruggiero said: "It would make more financial sense for Proctor & Gamble." Andrew Edgecliffe-Johnson, New York

AUTOMOTIVE PARTS

Mergers to continue, says PwC

Consolidation of automotive parts suppliers should continue for "several more years", with the number of "tier 1" suppliers falling from about 1,500 in 1998 to about 600. according to a study from PwC, the accountancy and con-

The prediction comes amid intense consolidation in the automotive industry. The survey calculates that there were 620 deals worldwide last year, with 320 involving parts suppliers. The value was put at \$30.3bn. The survey suggests that continued consolidation among parts suppliers will be driven by the trend towards "modular assembly" under which parts suppliers co-ordinate the production of much larger units in the final vehicle - and the desire by automakers themselves to shift the design and manufacture of large systems to their suppliers.

The survey says transactions among dealers slowed last year. But it claims that "the dealer sector . . . remains ripe for transformation", in the face of new technologies, such as internet-based car buying. It estimates that there are potential savings of about \$35bn to be wrung out of the current dealer system in Europe alone. Nikki Tait, Chicago

CELLULAR PHONES

Spanish group expands

Telefonica Internacional, the global arm of the Spanish telecommunications company, has continued its expansion into Central America's mobile telephone market with the award of a cellular phone licence in Guatemala. Bidding through a local subsidiary, the company agreed in Tuesday's auction to pay almost 295m quetzals (\$42m) for the right to the "B band" digital PCS bandwidth and another frequency. Telefónica will compete with two other mobile phone operators and will have national coverage.

Juan Rovira, executive vice president of Telefónica Internacional USA, said the company expected to invest an initial \$100m. It also plans to offer long-distance and data transmission services. James Wilson, Panama City

FORMOSA FUND International Depositary Receipts First, Second and Third tranches

Evidencing Beneficial Certificates representing 100 pairs

CASH DISTRIBUTION 1998

Kwang Hua Securities Investment and Trust Co. Ltd., the manager of The Formosa Fund, announces a cash distribution of USS 48,2916 per IDR requivalent of 100 units) for the unitholder. The each distribution represents a net of 20 percent withholding tax and expense

Payment for coupon no.7 of the Formova Pund International Depositary Recept will be made after deduction of the Depositary's feet in an amount of US\$ 0.50 per coupon, on or after March 29, 1909 at the offices of Bank Brussen Lambert

In compliance with the terms and conditions of the Deposit Agreement, the each in compitance with the made by the Depositary against presentation of the appropriate coupon and the certificate of nationality and residence duly Holders of IDRs forming part of a Global Depositary Receipt will receive

payment through Euroclear or Cedel. Depositary: Soyies-Fiducern S.A. Avenue Marris, 24 1000 Brossels Belgium Tel. 32 2 547 31 47

PC for doctors

Alan Greenberg, Medcast chairman, believes he can lure thousands of physicians onto the internet and spearhead the healthcare industry's growth online.

USD 185.888.00U per cont. per aurium. The coupon arrount due for this period is USO 133.85 per USD 10,000 denomina ton and USD 669.24 per USO 50,000 denomination and is payable on the interest payment date June 24th, 1999

LIS\$300,000,000 L'Auxiliaire du Crédit Foncier de France Subordinated Guaranteed Floating Rate Notes due 2002 For the period from March 25, 15 September 25, 1889, the Notes will as intervol. rule of 25 per atomic or metrol. rule of 35 per atomic or metrol. rule of 35 per 40 per 10 per of USSEJOUTS per US\$100,000 Sole.

PARIBAS PARIBAS LUZEMBOUBO

Mediobanca International Limited Notice to Holders of

17.7546 1.492,726,667

By: Citibank, N.A.

as Fiscal Agent

Mediobanca International Floating Rate Notes due 1999 (the "Notes") ISIN Code XS0078311770 Partial Prepayment of Notes NOTICE IS HEREBY GIVEN that the Notcholders have applied to the Precal Agent to prepay ITL 24,500,000,000 nominal value of the Notes for value April 30, 1999 under Point 661s of the Terms and Conditions of the Notes. The outstanding amount of the Notes after this prepayment will be ITL 24,500,000,000.

Classified information.

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Shares in Mesbla, which is listed on local stock exchanges, shot up last week as rumours swirled that Mr Mansur was in talks with potential foreign buyers. Names included Spain's leading department store chain El Corte Inglés, JC Penney The central bank said it of the US and the French

retailer Printemps. Brazil's retail industry began consolidating as the the end of last year as unem- depositors avoided it due to Real plan, launched in 1994. choked by debts.

serve our clients more efficiently in a highly competitive market," said Mr

Piper Jaffray was acquired last May by US Bancorp, the Jaffray preferred the alliance 11th largest retail brokerage with Nessuah Zannex, estab- in the US, which manages

hard drive.

Medcast's editorial team. which includes former senior staff from CNN, as

will appear.

Mr Greenberg likens the

Already the company has tested the system on 1,000 physician services in one doctors and installed 100

ANSETT AIRCRAFT FINANCE LTD Figuring Rate Mates day 2001 Notice is heraby given that the rate of interest for the partid from Maint 24th, 1999 to June 24th, 1998 has been fixed at 5.2375

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FINANCIAL SERVICES NEW JAPAN AND WAKO SECURITIES TO CREATE Y120BN COMPANY

Japanese brokerages in merger deal

New Japan Securities and Wako Securities, two secondtier Japanese brokerages, yesterday announced they would merge on April 1.

The merger will create the country's fourth largest securities house after Nomura, Daiwa and Nikko.

The combined company will be capitalised at about Y120bn (\$1.02bn), with assets of more than Y1.800hn.

The merger is particularly significant because both companies are affiliates of the Industrial Bank of Japan which, along with its broker-age arm, IBJ Securities, plans to take a combined stake of 25 per cent in the new company. [BJ will hold

20 per cent, and IBJ Securities 5 per cent. IBJ vesterday said the merger would strengthen the IBJ group's competitive posi-

focusing on middle-tier retail clients.

will fully support the new company," it said. Meanwhile, both New to be rolled out. Japan and Wako said they planned to withdraw from

their overseas operations. Tadashi Kawaguchi, presition, with IBJ Securities con-merged entity, while heavily on such revenue.

centrating on wholesale cli-ents and the new company president, will take the post of chairman. The Japanese securities

"As [its] main bank, we industry faces an increasing competitive environment as Big Bang reforms continue

In particular, the liberalisation of equity commissions in October is expected to inflict considerable damdent of New Japan, will age on small and medium become president of the sized brokers which depend

Nagoon Life

Darichi Mutual

Meiji Mutual

Assihi Mutual

Militaur Mutural

Yasuda Mutual

Taiyo Mutual

Daldo Life

Kycei Life

Chivoda Mutua

Fuktoku Mutual

mitomo Life

Assets of major Japanese Life assurers 00'0000hm Fraure at end of har is solvency ratio (%)

tion." said Paul Heaton, ana- process of applying for sublyst at Deutsche Bank in Tokyo.

"There are 23 listed securities companies in Japan there are just too many bro-

Wako Securities also warned that it would post an extraordinary loss of Y33.7bn to aid its subsidiary Wako Finance in the dis- or Y20, to Y265 and Wako posal of bad loans by March

ordinated loans totalling some Y35bn, in order to boost its capital base.

Both New Japan and Wako saw their shares fall sharply before the Tokyo Stock Exchange suspended trading in the two companies' shares ahead of the announcement. New Japan fell 7.02 per cent, dropped 6.98 per cent, or

NEWS DIGEST

INTERNET SALES

Softbank and Yahoo! Japan agree joint car venture

Japan's Softbank said yesterday it had agreed with Microsoft and Yahoo! Japan to set up a joint venture for internet-based car sales in Japan.

The new company, to be called CarPoint Japan KK, will be capitalised at Y840m (\$7m) and is scheduled to be established in April. Softbank will take a 50 per cent stake in the venture, while Microsoft will contribute 40 per cent and Yahoo! Japan 10 per cent.

The joint venture will be the Japanese version of Microsoft's MSN CarPoint, which generates \$450m in car sales each month. AP-DJ, Tokyo

Amazon.com signs book deal

The internet bookseller Amazon.com signed a deal with Samsung yesterday to sell books in South Korea without charging high shipping costs, Samsung said. The contract allows Seattle-based Amazon.com to use Samsung's internet shopping web site to sell its books, music and other wares in South Korea, beginning on Thursday.

Until now, South Koreans have had to pay shipping charges to buy Amazon.com books, transported individually from the US. Under the deal with Samsung, Amazon.com will ship books in large quantities to South Korea, eliminating most of the costs individual shoppers must

Shipping costs have been a hurdle for Amazon.com's efforts to expand sales in South Korea and other countries. APDJ, Secul

MORTGAGE FINANCE

Nikko to book Y13bn charge

Nikko Securities is to book an extraordinary loss of Y13.3bn (\$113m) in financial aid to its mortgage finance unit, Kyodo Mortgage Securities. The company said the extraordinary loss would not affect its year-to-March earnings forecast.

Separately, Nikko is to liquidate its real estate unit. Nikko Fudosan, which has capital of Y500m, in September, as part of group restructuring. It said it would set aside provisions of Y5.8bn to write off its outstanding loans to this unit, and wouldalso extend funds of Y6bn to assist in Nikko Credit's rehabilitation. AFX-Asia, Tokyo

STEELMAKING

Posco plant shut by explosion

Pohang Iron & Steel Company (Posco), the South Korean steel group, said yesterday that operations at one of its six cold-rolled steel plants had been halted since late on Tuesday because of a minor explosion. One employee was slightly injured. The plant has an annual production capacity of 1.1m tonnes. Posco expects the plant to resume operations in two to three weeks. AP-DJ, Seoul

INVESTMENT TRUSTS

Dai-Ichi, Morgan form company

Dai-Ichi Kangyo Bank and J.P. Morgan said vesterday that they had signed an agreement to form an equally owned investment trust joint venture.

The new company, Dai-Ichi Kangyo J.P. Morgan Investment Management, capitalised at Y3bn (\$25m) and equally owned by J.P. Morgan investment Management and DKB's asset management unit, Dai-Ichi Kangyo Asahi

Asset Management, will start business In Japan in May. The companies said George Gatch, J.P. Morgan managing director, would be chief executive of the new company and DKB's Michio Yuge would become its chief operating officer. Reuters, Tokyo

Fuji Photo stock hit by warning

By Alexandra Nusbaum

Shares in Fuji Photo Film. Japan's largest manufacturer of photographic materials, plunged 10.3 per cent to Y4,370 yesterday on news that the company would post lower than expected net

The Asian economic crisis and currency devaluation in Russia and Brazil are expected to push consolidated net income down by about 20 per cent, said the company.

Net income, previously forecast at Y92bn (\$780m), could fall as low as Y70bn for the year ending March 31, according to analysts. Last year, Fuji Photo reported consolidated net

income of Y88.8bn. Meanwhile, the company noted that strong sales of consumer film and colour paper in the US and Europe could push revenue up by 2 per ceni from Y1,378bn last year to Y1,410bn this year.

"The net profit warning came as a surprise, but there has been no change in the company's fundamentals," said Hiroshi Okubo, analyst at Warburg Dillon Read.

Three factors have depressed Fuji Photo's estimated net profit, according to Mr Okubo: these were lower than expected earnings at Fuji Photo's 50 per cent owned affiliate, Fuji Xerox: a devaluation of the Brazilian film subsidiary; and a devaluation of deferred tax assets.

Yesterday's drop in share subsidiary. price follows a 25 per cent rise from Y4,080 on January 4 to Y5.110 on March 19, on far the company's most drastion machinery that is said it would continue to the back of a depreciating tic move yet to rescue its already hurting earnings. Fuji Photo where exports would be used to reduce the accounted for over 50 per cont of seles as of Seriors.

Last monin, moony's, the Japan for sale in the US and US credit rating agency, said it had no plans to withdraw. The move would be funded to reduce the unit's estimated \$280m liabilities the control of seles as of Seriors. yen. A weaker yen benefits | ailing electronics business, cent of sales, as of Septem-

Life insurers set to boost capital base

Industry faces tough measures to ensure it improves its financial position

By Naoko Nakamae in Tokyo

A number of Japan's life insurers are to apply for a total of more than Y500bn (\$4.24bn) in subordinated loans and bonds in order to boost their capital bases by the end of the month.

These moves reflect the mounting pressure on the life insurance industry to improve its financial health ahead of the new fiscal year in April, when the Financial Supervisory Agency will be toughening its stance on weak life insurance compa-

The FSA will require companies with solvency margins - a key indicator of financial health - of less than 200 per cent to adopt "prompt corrective action measures" to improve their business. The life insurance indus-

try has suffered badly from

Komatsu, Japan's leading

construction machinery

maker, is to inject \$190m

worth of new capital into its

US silicon wafer business in

a last attempt to revive prof-

The capital injection into

recent slumps in the Japanese stock and property markets, falling long-term interest rates and the appreciation of the yen. The sector, which controls

also faces increasing liquid-

ity problems as policy cancellations rise. Sumitomo Life, the third largest life insurer, has already raised Y170bn in subordinated loans from the Sumitomo group ahead of the fiscal year-end next

week. Its solvency margin at the end of March 1998 was 526.2 per cent, compared with the industry average of 680.9 per

Chivoda Life plans to raise Y50bn of subordinated loans from several institutions. such as Tokai Bank, as well as Y20bn from the sale of subordinated bonds to more than 20 companies. With a solvency margin of

314.2 per cent it was one of

the worst performers in the

Daiichi Mutual, Japan's second largest life insurer, ers were critical of the rush also said it had issued Y100bn of subordinated loans to its business partner, the Industrial Bank of in their solvency margins". Japan. And among other big said one. life insurance companies. Yasuda Mutual plans to allowed subordinated debt to

tronics business to record its sion.

first loss since 1994 this year,

has decided to remain in the

Last month, Moody's, the

negative because of concerns

ket for the time being.

Komatsu Silicon America, by the downturn in construc-

Asahi Mutual over Y50bn, surplus' used to calculate gins don't set them in a very while Mitsui Mutual has solvency margins in 1997. So already issued Y50bn in the first half of the fiscal year. Daiichi's solvency margin

1,016.8

314.2

722.4

Mitsui's 491.6 per cent. But some industry observto issue subordinated debt. "Many of these companies are 'buying' an improvement

Yasuda's was 648.1 per cent,

Asahi's 654.8 per cent and

"The Ministry of Finance some Y190,000bn of assets, issue over Y100bn, and be included in the 'solvency so that their solvency mar- end".

would increase KSA's capital

this month. These losses

atsu, which expects its elec- about the electronics divi-

volatile semiconductor mar- from \$160m to \$350m as of

prices, which came on top of three semiconductor plants.

the company from stable to by corporate bonds.

(by issuing subordinated debt), these companies will improve that one number. was 632.1 per cent, while But interest payments on in the world, yesterday said such loans are typically over 3 per cent, and their negative yield situation will

> Others were more optimistic. "Interest costs will go up, but their capital position will improve," said Robert Garone, insurance analyst at debt, "if it looks as though Dresdner Kleinwort Benson

worsen.

in Tokyo. "(Many) are going to move

Komatsu to put \$190m into wafer arm latest of a series of initia- months to recover. Analysts

> aimed at turning the semiconductor business around.

collapse in semiconductor gon, one of the company's trol over the unit's finances. However, the company

ship wafers from its plant in Japan for sale in the US and The capital injection is the

but that he had given it 18 March.

tives launched by Satoru warned that this could prove Komatsu said the move Anzaki, Komatsu president, to be a risky strategy. "They are putting the decision off and filling in holes

weak light relative to their

est life insurance company

that it would not issue any

Its solvency margin was

939.9 per cent last year. Meiji

Mutual, whose solvency

margin was 719.9 per cent

also said it had decided

against issuing subordinated

stock market and currency

levels until the fiscal year

levels will remain at current

But Nippon Life, the larg-

competitors."

subordinated debt.

The group has moved to rather than building a foun-Analysts said electronics were mainly from the sus- acquire KSA and trim costs, dation," said Jeremy Kloiserwere weighing heavily on pension of operations at a in what analysts said was an Jones, analyst at Nikko Saloitability at the loss-making profitability because of the silicon wafer factory in Ore- attempt to gain closer con- mon Smith Barney. He added that taking on

There has also been specu- additional debt to fund the lation that these stop-gap capital increase would also measures were part of the increase Komatsu's leverage. group's efforts to package Last month, Komatsu the unit for sale. Last month, Komatsu warned that consolidated net Mr Anzaki said in a recent losses would balloon to interview that he might con- Y13bn (\$110m) on sales of sider selling the business, Y1,060bn in the year to this

Development of an IT- and innovation centre at Fornebu, the previous airport of Oslo

ities, the company said.

It also suggests that Kom-



On behalf of the Government of Norway, the Norwegian Directorate of Public Construction and Property is looking for parties interested in participating in the development of an information technology and innovation centre at Fornebo. The centre will be established on the site of the previous main airport for the Oslo region. The decision to establish an IT and innovation centre was formalised by the Storting on 25 February 1999. The public documents pertaining to the Storting's (the Norwegian Parliament) decision are obtainable from the Ministry of Trade and Industry. Directorate of Public Construction and Property will answer any queries regarding the buildings

Interested parties should prepare an overall plan for an information technology and innovation centre at Fornebu which must reach the Directorate of Public Construction and Property by 1500 hrs on 18 May 1999. Plans should specify the area required and how the area will be unlised.

tion is to establish an information technology and innovation centre of international significunce that will promote new business activity and competence development in an interplay betresearch, education and industry. The centre will embrace incubator activity, post-qualifying wear research, cancer and network-based education, in conjunction with competence centres in orber regions. Educational activity established at Fornebu will operate under the auspices of establisher hed educational institutions.

Further competition details, including requirements and guidelines for the plans to be prepared request compension ocums, mentioning requirements and guidenines for the plans to be prepared, will be available as from 7 April. A special committee has been appointed by the Ministry of Trade and industry to assist in drawing up requirements and guidelines. Based on the plans submitted, the Government will select the parties with which it wishes to start negotiations with a view to forming a holding company for an information technology and innovation centre at Fornebu. rested parties may team up to present joint proposals, if they so desire.

Ministry of Trade and Industry, phone (+47) Z2 24 03 01 one of Public Construction and Property, phone (+47) 22 24 29 03

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One-2-One may be put up for sale Diageo

By Christopher Price and Alan Cane in London and Ralph Atlains in Bonn

Cable and Wireless and MediaOne yesterday confirmed they were considering either the sale or a public offering in One-2-One, the UK's fourth biggest mobile phone company.

The move sparked a flurry of activity among City analysts over the valuation of the lossmaking business. with the range extending valuation on the business from £6.6bn to £11bn (\$11bn-

C&W, the UK's second will grow, and become profit- net and Orange. largest telecommunications able. Most are clustered business in order to maximise shareholder value.

The move was prompted by the acquisition by Com- ing it will move into profit cast of MediaOne, the US communications group, on Monday and the subsequent decision to sell MediaOne's out of a total UK mobile investments in wireless com-

The huge differences in reflect different calculations of how quickly One-2-One

Jeff Harris: will not make hostile bids

The upheaval in the UK

internet service provider

market was underlined yes-

terday with the launch of

five free access services, put-

ting further pressure on pro-

viders that charge subscrib-

WH Smith, the books and

stationery retailer, said it

was teaming with Microsoft.

By Christopher Price

made operating losses of £126m on sales of £548m. Most analysts are forecast-

within two years. One has 2.1m subscribers market of 14.2m. It is the fastest growing network. helped by the advent of prepaid mobile phones.

The biggest operator is Vodafone, followed by CellLehman Brothers, which is

group, said it was launching around £8.5bn. In the year to advising MediaOne, said it the strategic review of the March 31, 1998. One-3-One hoped to sell One-2One outright, with the public offering being an avenue in the event of there not being sufficient interest.

C&W is advised by Merrill Launched in 1993, One-2 Lynch. The US investment bank said preparations for a public offering would begin immediately in case any sale fell through.

But analysts said there would be considerable interest in acquiring One-2-One. The opportunity to buy one

would be enormously inviting, particularly for foreign telecoms groups looking to enter the UK market.

Deutsche Telekom and

Mannesmann of Germany have both been seen as potential bidders. Last week, Ron Sommer, Deutsche Telekom chairman, identified the UK as a particular focus of attention, saying its small inroad into the country was "not a position where we can be satisfied and relax".

It also has operations in

The group also owns the

Moss Chemists retail chain

in the UK and now hopes to

establish a retailing pres-

Alliance made 1998 pre-tax

profits of £110.1m (\$179.5m)

after £80m of acquisitions.

The profits figure compared

ence across the Continent.

Portugal, Spain, Greece and

Italy.

Morocco.

to sell **Spanish** brewer

By John Willman in London and Andrew Edgecliffe-Johnson in

Diageo, the food and drink group, has put Cruzcampo. its Spanish brewing subsidiary, up for sale - a move likely to attract interest from several international brewing groups.

Cruzcampo could fetch more than £400m. above the £325m goodwill on Diageo's balance sheet, but well below the 1990 purchase price of Ptas98bn (then

worth £533m). Goldman Sachs, the investment bank, has been appointed to handle the auction of Spain's largest brewer. Last year it had sales of Ptas65bn (£265m), 26 per cent of the Spanish mar-

Analysts believe the most likely buyer is Heineken, the Dutch brewing group that already owns El Aguila, Spain's second largest brewer, with 17 per cent of the market. Heineken prefers to own stakes of more than 30 per cent in its key markets and has said repeatedly it wants a larger share in Spain.

Other interested brewers could include Carlsberg, the Danish group that licenses Cruzcampo to brew its lager in Spain, and might be reluctant to see its distribution in the hands of a competitor.

Diageo is understood to have put Cruzcampo on the market after expressions of interest from Heineken and others.

A sale of Cruzcampo would bring to an end a saga that began when Guinness which merged with Grand Metropolitan in 1997 to form Diageo - bought the Spanish brewer in 1990.

Guinness bought Cruz-campo to lessen its dependence on its trademark Today it is refocusing on

the stout, which has become one of the few global been brands and one of the most profitable parts of the

Currencies hit Indep Newspapers

Adverse currency movements affecting its South African and New Zealand businesses last year hit Independent Newspapers, the media group controlled by Tony O'Reilly, the Irish-born

entrepreneur. Pre-tax profits for the 51 weeks to December 18 feil from I£100m (\$191m) to L£70m after a L£36m restructuring provision. Turnover rose from I£599m to I£629m. Independent has achieved

20 per cent earnings growth in each of the past five years. The buoyant Irish economy aided Independent's performance in its home market, with operating profits up 6 per cent to I£44.6m on turnover of I£220m, up 12 per cent. In the UK, where the com-

the Independent and Independent on Sunday from 46 to 100 per cent, losses fell from £1.6m to £900,000. In New Zealand, which

pany increased its stake in

accounts for 31 per cent of group turnover, operating profit was down 3 per cent. In South Africa, it faced the effects from the rand's declined value and the economic downturn.

COMMENT Flextech

Those who waited to gauge the success of digital televi-Share price relative to the FTSE All-Share index sion's launch before buying into Flexiech must rue their caution. As the biggest packager of pay television channels after British Sky Broadcasting, Flextech's future is highly geared to digital subscriber growth. BSkyB's revelation that a remarkable 42 per cent of its January sales were new subscribers, not just migrating analogue ones. rewarded the digerati faith-

ful. Flextech has been a major beneficiary of the new multi-channel world's success. Since the start of the

year its shares have outperformed by nearly 30 per cent. After the death of Roger Luard, its charismatic chief executive, and a regulatory ruling against channel bundling, the fear was that Flextech would be squeezed by customers and suppliers. Far from it. Its wholly owned channels, such as Living and Bravo, increased their viewing share by 17 per cent and raised advertising sales by 45 per cent. Had it not been for start-up losses at its promising joint ventures with the BBC, Flextech would have entered the black in 1998.

The question now is whether Flextech can leverage its mass audience share in the e-commerce world. Competition from BSkyB's Open will be strong. But the market is still in its infancy. For Flextech to stretch its brands over interactive television and the internet makes a lot of sense. The group should be rewarded for making it such a clear prior-

Stanley/Capital

At last someone has done the decent thing and offered to put Capital Corporation, the London casino operator, out of its misery. Since the start of 1998 it has lagged behind the market by over 60 per cent. Valued by London Clubs' contested share bid at around £178m in February 1997, it now stands to be snapped up by betting shop operator Stanley Leisure for a mere 281m. Stanley's timing looks excellent. Capital is suffering from an unprecedented combination of reduced demand from high rollers, stiffer gaming duty and increased supply from new licences. But as the owner of three London licences, including the ultra upmarket Crockfords, it must be going for a song at barely more than book value and 11 times 2000 forecast earnings. Capital shareholders should push the price up or take advantage of Stanley's partial share alternative.

NEWS DIGEST

MEDIA

Flextech looking to acquire new TV channels

Flextech, the pay-television company, yesterday signalled its willingness to expand by acquiring new television channels as it disclosed robust turnover growth driven by the launch of digital services.

Adam Singer, chairman, said small channels would be "attracted by our gravitational pull as the largest independent channel provider". Flextech has 14 channels, including its UKTV joint venture with the BBC. He would not rule out an acquisition of Live TV, the cable channel owned by Mirror Group which is expected to lose about £4.5m this

willing to sell its 18.6 per cent stake in Scottish Media Group in the wake of Mirror Group's sale of its identical stake in SMG to Granada Group on Tuesday. The company intends to invest £20m this year in interactive services. John Gapper

LEISURE

Stanley approach to Capital

Capital Corporation, the London casino group, is considering a £80m takeover approach from Stanley Leisure, the casino and betting shop operator. Yesterday's statement by Capital was prompted by a 13 per cent rise in its share price, which closed 81/2p higher at 75p. Shares in Stanely rose 10½p to 293p.

Although Capital last week reported a fall in pre-tax profits from £12.4m to just £3.54m, observers suggested the offer undervalued the company but that Capital might come under pressure from investors to accept it after a recent poor share price performance.

French group bids for Gremlin

Infogrames Entertainment, the French computer games group, yesterday made an agreed cash bid worth £22.9m for Gremlin, the UK games developer. Infogrames is quoted on the Paris bourse and is one of Europe's largest and fastest growing games developers, with sales in the year to June 30 of FFr1.47bn (\$240m).

TRANSPORT

S&P cuts BA credit rating

Standard & Poor's, the credit rating agency, has cut British Airways rating from A to A-. S&P said BA's outlook was negative. The downgrade was based on increased fare competition on European, Asian and transatlantic routes

			_	_			****		· Dividends ·		
	Termon	स्य (£m)		-taz t (Em)	EP	\$ (p)	Current payment (p)	Pate di payment	Corresponding dividend	Total for year	Total kasi year
Alliance UniChem	5,353	(1,712)	110.1	(59.2 }	24.91	(22.6)	7	July 1	6.4	10.65	9.7
Amilin 6 mths to Nov 30 *	.	(-)	2.6L♠	(8.1)	1 6L†	(5.9)	mil		1.5	.0.03	3.7 11
Barratt Devs 6 mins to Dec 31 *	435.2	(391.1)	41.2	(34.1)	12.2	(10)	3.56	May 21	3.3		10
Brake Bros Yr to Dec 31	755 9	(691.6)	30.1	(27.3)	40.1	(36.6)	8.8	July 1	8	12.3	11.2
Bridport6 mths to Jan 31	14.2	(12.3)	1 33	(1.39)	4 02†	(4.57)	2.1	May 5	ž	-	
Chelsfield Yr to Dec 31	221.9	(141.5)	22.5	(24 6🏟 }	7.3†	(8.1)	2.2	May 24	2	3.6	5 3.3
City Centre Rest Yr to Dec 31	185 9	(166.)	5 67♠	(17.50)	21	(6.73)	2.35	June 1	2.35	3.1	2.8
Darby Yr to Dec 31 *	24.7	(22.6)	1.17.L♠	(201)	3.7L	(4)	0.5	May 21	1.4	1.8	
Edinburgh Fond	27	(30)	11.7♥	(17♥)	28.5	(41.5)	17	May 14	17	25	2.6
Fishers Intl	43	(40.4)	3.39♠	(2.37)	1.8 †	(13)	0.6	July 12	0.45		25
FlextschYr to Dec 31 ★	152 5	(1137)	5.12L♠	(6.21. ♦)	1.821	(3 491)	-	-	V.+3	0.85	0.65
Clymered Intil	1,015	(1,242)	36 4♠	(76.2♠ 1	3.3	(18.6)	88	June 4	8.8	13.2	
GreenUn	18.3	(13.2)	1.51L	(2.5)	4.2L	(9.1)	76		1.3	13.2	13.2
Heat Pin of Yr to Dec 31	6.84	(3.57)	0.048	(0.024)	0.7	(0.1)	nil		1	-	3.9
House of Fraser	797.7	(812)	19.3	(29.1	6.6	(94)	3.8	July 1	-		1
and Newspapers 4 51 wis to Dec 18 *	629.1	(598.8)	704	(100.1\$)	19.69	(23)	6	Mar 26	3.8	5.5	5.5
Matthews (Bernard) 53 wks to Jan 3	340.8	(371.8)	14.5	(12.24)	8.12	(6.06)	28	May 14	5.2	9	7.8
Next	1,239	(1.177)	166.9♥	(184♥)	33.9	(36.9	12.6	July 1	2.5	4.8	4.3
Presmier Oil	104.6	(166.2)	128.2L♠	(71.1)	13.23L	(4.72)	nil		12	19.1	18
Quality Software Yr to Dec 31	41.2	(28)	46♥	(2.66)	33 8	(20.2)	U4	-	0.605	ΝŪ	0.605
Slough Estates Yr to Dec 31 *	224		T01.1♣	(93.2♥)	17.5	(15.7)	6.275	164. 24	n#	UB)	nii
Stanford Rook & Yr to Dec 31	0.21	(-)	1.58L	(1.76L)	17.aZ	(9.12L)	0213	M3y 21	6.125美	10.4 ኢት	9.525 ()
Taylor & Francis Yr to Dec 31	40.2	(30.1)	716♠	(7.15)	7.3†	(8.17)	2	June 9		-	
Television Corp	30.9	(31.2)	3.97♣	(4.11)	10.8	(14.1)	2.8	May 4	0.7	3	1.07
Meir 53 wks to Jan 1	724.9	(756.9)	71.6♥	(60.1)	26.1	(21.5)	7.15	June 14	2.5	4.2	3.75
Noistenbelme Rink Yr to Dec 31 *	90.8	(89.2)	10.7♥	(7.57	95.3	(52.5)	18		6.46	9.9	9
		(DDIL)	.о ү	,,,,,		(000)		May 20	17	28.5	27
investment Trusts		(m)	Earning	utable ps (Ezo)	EPS		Current payment (p)	Date of payment	Corresponding chadead	Total for year	Total last year
Radiotrust			0.334	(0.211)	3.88	(2.45)	2.33♦	June 30	2.33	2.33	

Next beats forecasts following

By Peggy Hollinge:

'hiccup'

Next, the fashion retailer which fell from favour last year following a surprise profits warning, yesterday signalled it was back on track. It announced a sharp improvement in current trading and annual profits

above expectations. David Jones, chief executive, described the past year as "a period of history, after 14 successful seasons, when we hiccuped". However, the group was showing "a good

recovery. Next unveiled pre-tax profits of £166.9m (\$272m), down from £184m last time. Sales rose from £1.18bn to £1.24bn for the year to January 30.

Mr Jones said 1998-99 had been "a vear of two halves". Sales in the stores moving from flat in the first half and risen 10 per cent in the second. Like-for-like sales for the year were 5 per cent while turnover through the Directory was 2 per cent lower.

In the first seven weeks of this year, like-for-like high street sales rose 16 per cent and mail order 5 per cent.

However, he warned against over-optimism on the back of the reported figures. "I think the environment is going to continue to

Alliance UniChem to expand

gateway, to the internet.

can charge advertisers.

Richard

Portals offer services such

Alliance UniChem, Europe's second largest pharmaceutical wholesaler, claimed yesterday it was well on the way to ousting Gehe of Germany as market leader with plans for expansion across

the Continent. However, Jeff Harris, chief executive, ruled out expanding into Germany or Scandinavla through hostile bids. Expansion there would be achieved through mergers or joint ventures, he said.

The group already has a 9 per cent stake in Anzag, one of Germany's largest domestic wholesalers.

Alliance UniChem, formed by the merger in 1997 of Uni-Chem in the UK and Alliance Sante, a Luxembourgbased business, already has 38 per cent of the UK pharmaceutical wholesaling mar-

with £59.2m from UniChem alone in 1997 and pro-forma pre-exceptional profits of £95.9m including Alliance Sante. Turnover leapt from

£1.71bn to £5.35bn (£4.8bn pro-forma) and operating profit grew from £66.4m (£127.8m) to £132.8m. Mr Harris said the biggest challenge for the group would continue to be the pressure from national gov

ernments to keep down the David Ahmed ket, 30 per cent of the cost of medicines

Growth in free net service providers to develop a free "portal", or the internet. It will form the engine group, said its UK

> banking, stock trading and news to capture users' attention for as long as possible. The longer visitors stay on retailer, launched Freeserve. the site, the more the owners Handover, WH Smith chief executive, said: "This venture will not

basis of a much broader, and Irish web guide would more innovative and powershortly begin offering free as electronic commerce, ful offering." internet access. Yahoo! Egg. The ISP market was the Prudential's new bankchanged in September when ling service, also launched a free ISP yesterday, as did The Electronics Boutique.

Dixons, the electrical the first free mass-market ISP. In its first six months it attracted more than 1m users, forcing a growing number of paid-for ISPs to

in partnership with Scottish Telecom.

would begin offering a free service in response to the

Premier

tumbles

into loss

Premier Oil, the exploration

and production company.

vesterday passed its divi-

dend and plunged into the

red because of higher than

expected asset write-downs.

The company, which has

faced concerns over its

financial strength, also

announced that John van

der Welle would replace

Edward Freeborn as finance

A write-down of £143.3m

(\$234m) resulted in a net loss

for 1998 of £137.2m (£48.5m

The shares, which have

underperformed the explora-

tion and production sector

by 23 per cent in the last

Charles Jamieson, chief

executive. said: "We had a

resourcing review looking at

needs going forward.

Edward comes from a non-

oil background, while John

has extensive experience in

The review will lead to the

loss of 25 per cent of Premier's staff this year, includ-

ing Michael Knowles.

operations director, who left

the company yesterday. The

The exploration budget

job cuts will save £6m.

was cut to £16m (£38m).

year, fell 1p to 14p.

our sector."

profit).

By Thorold Barker

the computer games retailer.

the US software group, and be limited to simply selling abandon subscriptions. be difficult." he said. British Telecommunications

There's no such thing as the paperless office.

> **FINANCIAL TIMES** No FT, no comment.

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Europe subdued by Wall St and Kosovo

EUROPEAN OVERVIEW By Philip Coggan, Markets Editor

EQUITIES

The big overnight fall on Wall Street and nervousness about the prospect of conflict in Kosovo, kept European equity markets on the back foot from the start of

prices also kept the pressure cent, lower at 2,809.13 while analyst upgrades.

IN THREE MONTH EURIBOR PUTURES (LEFTE) E'IM 100 - rate

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High

FTSE Eurobioc 100

prime minister, would be the to 1,002.19. The best minor boost to sentiment, 2.2 per cent in response to

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Low Est. vol Open inc.

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FTSE Eurotop 3 Eurobioc UK

RESOURCES

The best performing sector The FTSE Eurotop 100 best performing stock A further pick-up in oil index closed 29.2, or 1 per thanks to good results and

FTSE Actuaries Share Indices

on markets as German inflation numbers were slightly stronger than expected.

the broader Eurotop 300
index fell 11.43 to 1,217.39. Information technology, these conditions imply stronger than expected.

The FTSE Ebloc 100 index, which tumbled 4.2 per cent on the back of weakness in "Nevertheless, there is both in Prodi, the former Italian the euro-zone, dropped 10.56 high-tech stocks on Wall Street.

although European bourses strong metal prices. Franco- able to higher interest rates did finish off the bottom.

Strong metal prices. Franco- able to higher interest rates and bond yields than most Belgian bank Dexia was the and bond yields than most investors would expect,

-11 43 -29 20 -10 56 -15 01 -14 15 -19 26

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CYCLICAL SERVICES

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"It is often assumed that cyclical stocks perform bet-

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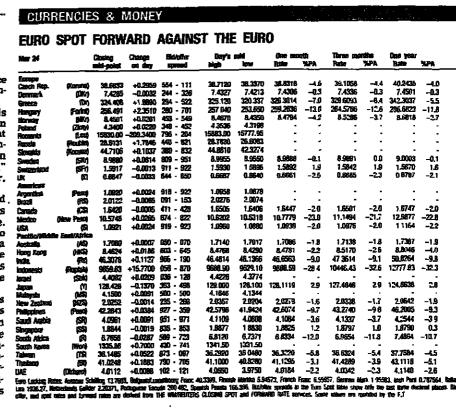
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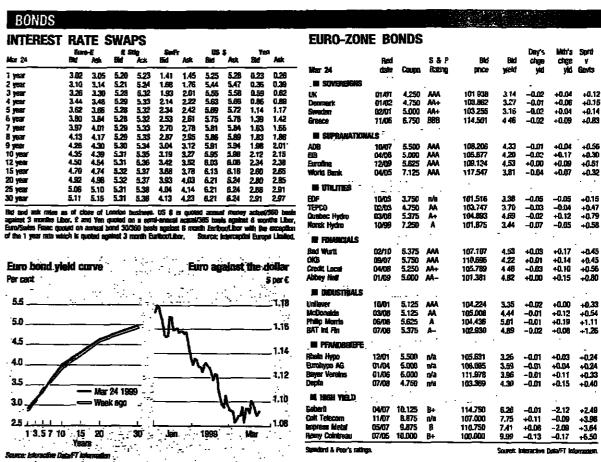
1.76 8.89 6.62 1.57

strong evidence - both in theory and in practice - that Research from HSBC growth stocks are more sen-Commission, gave only a was mining, which gained shows that the technology sitive to interest rates than sector might be more vulner- their cyclical counterparts." says Peter Oppenheimer, global strategist at HSBC. Growth stocks depend

heavily on future earnings projections for their value. But those earnings have to be discounted to give them a present value. An increase in the discount rate thus should mean a lower value for growth stocks.

Research by HSBC shows that the European sectors that perform best when interest rates are rising are leisure and hotels, diversifled industries and household goods; those that perform worst are pharmaceuticals, telecoms, retail banks and support services.





lextech looking to

courre new TV change

ime FISE Eurotop 300 index quotes call FI Cityline on 0906 843 5920. Calls are charged at 60p per minute at all times. FTSE EUROTOP 300

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و معالي الراب المرادي والمقاد الفريق فيسكو ما به يواد المثلث المستفقة في المعطوب والمستقيد والمعالية والمعالية والمعالي الراب المرادي والمقاد الفريق فيسكو ما به يواد المثلث المستقلة في المعطوب والمستقيد والمعالية والمعالي

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Issue of U.S. \$300,000,000 Bank of Western Australia Ltd **Undated Floating Rate Notes** exchangeable into **Dated Floating Rate Notes** of which U.S. \$200,000,000 is being issued as the Initial Tranche

Interest Rate Undated Notes **Dated Notes** Interest Period

5.1625% per annum 5.00% per annum 24th March 1999 24th September 1999

Interest Amount due 24th September 1999 Undated Notes per U.S. \$ 10,000 Note per U.S. \$250,000 Note Dated Notes per U.S. \$ 10,000 Note per U.S. \$250,000 Note

U.S. \$ 255.56 U.S. \$6,388.89

Credit Suisse First Boston (Europe) Ltd.

Corporate radar.

FINANCIAL TIMES

No FT, no comment.

FT World **Energy Review**

Financial Times Surveys

Thursday April 15

For further information please contact: Justin Mafham in London

Tel: +44 171 873 3760 Fax: +44 171 873 3062 email: justin.mafham@FT.com

FINANCIAL TIMES

Open for business.

Business Software piease call: Tel: +14 171 973 3630 Fax: -44 171 973 3064 NORDIC INVESTMENT
BANK
FRF 600 000 000
CMS-10/CNO-TEC 10
LINKED IT/LOATING RATE
NOTES DUE 2008
ISIN CODE: XS0087144040 For the period from farch 26,1999 to June 28, 1999 the new rate has been fixed at 1.34512 % 1.34512 %
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emination of FRF 1 000 000 THE PRINCIPAL PAYING ACENT SOCIETE GENERALE BANK & TRUST SA. LUXEMBOORG

argue for reduced **CFTC** role

By Nekki Talt in Chicago

The big Chicago futures exchanges are expected to argue for a much-reduced regulatory role for the Commodity Futures Trading Commission as the issue of "reauthorising" the futures industry regulator comes

before the US congress. But they also endorse continued trading of privately negotiated "swaps" derivatives on unregulated overthe-counter markets.

Unlike many US regulatory agencies, the CFTC does not have permanent funding and is required to seek periodic reauthorisation.

Given recent controversy over regulation of OTC swaps - and the extent to swaps - and the extent to which the CFTC or any other agency should oversee this rapidly-expanding business - the process is particularly charged this year

Some industry participants have suggested the CFTC should be folded into the Securities and Exchange Commission, as demarcation lines between on and offexchange derivatives blur.

improving sentiment towards Japanese credit. Meanwhile, Brooksley Born, CFTC chairman, has tied public house group, advocated a review of the which is owned by Nomura. core Commodity Exchange Act, because of rapid issued a £810m securitised changes in technology and bond. The bond securitises the types of product traded. rental revenues from tenants

The Chicago exchanges and profits made from the have traditionally viewed sale of beer to the pubs. Forest Funding, a special the OTC market as a competitor, and demanded equal purpose vehicle for Ifco, a Japanese finance company treatment, meaning much issued \$170m of short-dated lighter regulation. floating-rate notes priced to

However, officials yesterday met "a broad representation" of OTC and exchangebased market users and said afterwards they would loans made by Ifco to Japaendorse a system under which privately negotiated

Exchanges Prices mixed on war threat Pakistan

BENCHMARK BONDS

By Bertrand Benoît in London and John Labate in New York

Government bond markets were mixed yesterday as unease about the possibility of war in the Balkans was offset by upbeat political and macroeconomic news.

In Europe there were hints of a flight to quality at the short end of the German maturity curve in the midst of the Kosovo crisis.

The yield on one-year German bonds tightened 4 basis points to 2.97 per cent and that on the two-year bond fell 3 points to 3.07 per cent. But analysts said investors had grown accustomed to

Japanese

ABS deals

Japanese banks launched

several asset-backed securi-

ties yesterday, reflecting

Unique, the UK's largest

yield 60 basis points over

Libor. The issue, led by DKB

International, is backed by

nese buyers of Isuzu cars.

NEW ISSUES

By Arkady Ostrovsky

international crises and attitude. "There is a degree of complacency," said David Brown at Bear Stearns.

"Bond and equity markets have been walking on quicksand for the past weeks and a full-scale conflict in Europe's back yard could cause a very nasty sting in the tail," Mr Brown said.

The nomination of Romano Prodi as president of the European Commission helped boost sentiment in Europe. Mr Prodi was the originator of a plan to fund a Commission job-creation programme by using excess foreign exchange reserves held by central banks after the launch of the euro.

Millenium Loan Trust; Millenium Loan Trust; BOHELT Class A1(c) Royal Bank of Caracla Bayerische Landesbank Foresting Funding Corp; Shelt Finance UK Icelandic Inv. Bank

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m Argentina Popolare di Novarat

Unique Pub Fin Class A1; Unique Pub Fin Class A2; Unique Pub Fin Class A3 Unique Pub Fin Class M

E SWISS FRANCS

■ GREEK DRACHMA

Dautsche Bank OB Ireland‡

Telecom issued a €1bn bond,

which was underwritten by

Merrill Lynch and Warburg

Dillon Read. It was priced to

New international bond issues

SS1m. Class A4 S28m. dt 1-mth Libor plus 60bp. 5% clearup call. e) Spread t

"Prodi's plan is not on the gets revived it could well 110.80 in Stockholm. give a shot in the arm to economic activity in Europe without damaging the fiscal position of member states," said Sally Wilkinson at

Daiwa Europe. The June 10-year German bund future rose 0.09 points to 113.99, helped by a sell-off in European equities.

A statement by Kerstin bank could cut interest rates when it meets today. Mrs Hessius said Sweden's repo rate could fall below the euro-zone's without hurting the Swedish krona.

Apr 2006 0.25R Apr 2006 0.25R Jan 2012 0.20 Apr 2004 0.30 Apr 2002 0.1875R Apr 2002 0.1875R Mar 2002 0.1875R Mar 2004 0.15

Apr 2008 0.3/5H Apr 2002 0.05R Apr 2006 0.30R Apr 2004 0.25R Apr 2003 0.175R Apr 2004 0.75R Apr 2002 0.10R

\$250m bond issued 11/3/99 increased to \$325m. h) 3-mth Libor plus 25bp. () Over Interpolated yield. () ABN AmorBarclay Commerzbank/Deutsche Bank/Drescher Meinwort Benson/Hypovereinsbank/Nord LB/SGZ (v) 3-mth Euribor plus 30bp. Long 1st couppon. (i) 3-mth Euribor plus 12/bbp. (i) 3-mth Libor plus 75bp. r) 3-mth Libor plus 12/bbp. (i) 3-mth Libor plus 75bp. r) 3-mth Libor plus 112/bbp. (i) Callable on every Interest date. (i) 3-mth Athinnid minus 50bp.

Telecom Argentina, which

is partly owned by Telecom

Italia and France Telecom,

became the first Latin Amer-

ican corporate to borrow in

The 10-year Swedish bond were adopting a wait-and-see agenda any longer but if it future rose 0.38 points to

> TIS Treasuries were mixed amid tension over planned air strikes against Kosovo. A flight to safety at the long end of the yield curve helped push the 80-year bond up % to 95%, sending the yield down to 5.536 per cent.

However, shorter-term issues fell. The 10-year note was down 🚉 at 96%, yielding Hessius, deputy governor of 5.165 per cent and two-year the Swedish central bank, notes were unchanged at fuelled expectations that the 100, yielding 4.998 per cent.

A sharp fall in durable goods orders was reported yesterday. Orders excluding the volatile transport sector fell by a higher-than-expected 1.7 per cent in February.

JP Morgan/TMI JP Morgan Memil Lynch

ABN Amm/Con

The five-year €125m issue,

led by J.P. Morgan was

priced at 80 basis points

below Argentina's five-year

bond and 500 basis points

CORPORATE BONDS

7.14 7.50 8.95 8.95

9.88 9.13 10.76

02/01 12/01 05/04

over OATs.

+77(4%Feb04) JP Morgan +45(5%Feb01) Commerzhank

+12(6%Jan06) ABN Amro/Hy

DKB Int 3665%Feb01) Warburg Diffon Read

debt move to default'

The restructuring of Pakistan's public debt to the Paris Club of government creditors could trigger a default on international bonds, according to a report by Moody's, the international rating agency.

The Paris Club told Pakistan to seek restructuring of all commercial obligations, including international bonds, on terms comparable with those offered by itself. Romania, meanwhile, is

also under pressure to restructure its international bonds. The Paris Club and the International Monetary Fund believe that markets should share the burden of debt restructuring with tax-

But Moody's warns that this policy could trigger defaults on international bonds and increase the cost of international bail-outs over the longer term.

"There is no mechanism at present for restructuring international bonds in an orderly way," said Kristin Lindow, an author of the report. This meant any attempt to restructure international bonds effectively results in a default.

"Our position is that pro-tection of investors who hold international bonds serves the interest of the issuer, by protecting their access to international capital markets," she said.

She said the Paris Club position on the restructuring of international bonds was inconsistent with the IMF's demand that Pakistan raises \$1.1bn from bond markets. However, Moody's recognises that a default on some international bonds may be

unavoidable, as may be the

5.96 -0.01 5.84 -0.04 7.56 -0.01

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case with Pakistan.

Brazilian 'may lead to default' By Aricady Ostrovsky groups plan bond issues

By John Barham in São Paulo

Brazil's biggest private bank, its biggest mining company and the largest foreign bank based in Brazil are planning international bond issues or loans, marking the country's return to global markets.

The country had been shut out of the markets since Russia's default in August. Its exclusion became total following January's 40 per cent devaluation of the Real. Banco Bradesco, the largest private bank, plans to raise \$100m through a oneyear international bond underwritten by Merrill Lynch. Companhia Vale do Rio Doce (CVRD), the iron

arrange a \$50m loan. Citibank's Brazilian arm is getting ready to launch a \$50m to \$75m six-month bond co-ordinated by Citibank and its stablemate Salomon Smith Barney.

ore mining giant, has man-

dated NationsBank to

José Guilhereme Lembi de Faria of Banco Bradesco, said: "We have felt a substantial improvement. There was a credibility crisis and although the fundamentals of the market are the same, confidence is returning."

Gabriel Stoliar at CVRD, said: "I do not think Brazil risk had [deteriorated] as much as [market] volatility demonstrated. Now the [picture] is adjusting more

quickly than expected. Bradesco, like CVRD and Citibank have decided not to wait for the government to place a sovereign bond, which is intended both to raise money for the treasury and to act as an interest rate benchmark for international lenders to Brazil.

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7.625 7.750 7.625 5.587

3,750 3,250 8,750 1,260

5.250 5.750

AAA AA n/a n/a

12/67 12/07 63/00 62/02

01/08 02/02 05/01 09/01

83/02

AAA 117.5041 AA+ 112.7999 A+ 101.3971 AA+ 100.7580

5.82 5.67 5.40 5.63

5.25 5.95 5.48 4.88

3.21 1.93 2.58 1.53

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= C

Businessmen say the attitude of the world's financial markets towards Brazil changed sharply this month following the confirmation of Arminio Fraga as central bank president and the government's renegotiation of performance targets with the

This ensured that Brazil can continue drawing down \$41.5bn from an international rescue package. The passage of austerity measures through congress helped boost international confidence further.

Bradesco will use the one year line to fund dollarlinked loans to local companies and farmers. CVRD will use its loan to finance ongoing investments. Mr Stoliar said a planned \$500m to \$1bn securitisation of the company's export receivables, shelved following last year's financial market turbulence. remains "in the oven" pending a final decision on new investments.

Although pricing for these operations is still in its formative stages, yields have moved up substantially since these borrowers last tapped markets. Mr de Faria savs Bradesco's loan is being premarketed at a coupon range of 11.50 to 11.75 per cent, substantially more than previ-

ously. These operations should pave the way for other blue chip and cash-rich Brazilian borrowers to return to the market. Most have been unable to roll over foreign loans maturing this year. forcing them either to pay down loans or refinance them at scorchingly high interest rates on local domestic markets.

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WORL	D BON	D PRI	CES									
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- Belgipte	03/01	5,000	103.5700 95.9900	3.07 4.25	-0.03 -0.01	-0.01 +0.06	+0.02	-1.00 -0.68	■ LONG T	ERM EURO E	OND OPTIO	(S (MATE)
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France	04/09	5.000 4.000	106.2450	4.22 2.96	-0.03	+0.05	+0.18	-0.60	German	Calls na Pods V	nts. Previous	e esta obes m
	04/06 04/09	7 <u>.2</u> 50 4.000	121.6300 99.0900	3 65 4,71	-0.01 -0.01	+0 06 +0.07	+0.09 +0.16	-0.76	MOTTON.	AL EURO (SU) Open	Sett price	Cherige
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-	01/06 01/09	6.000 1.7 5 0	112,9400 98,0500	3.79 3.99	-0,01 -0,01	+0.03 #0.04	+0.10 +0.13	-0.87 -0.86		L EURO BU		
Erecco	07/28	4.790 9.800	96.5600 100.8700	4.97 9 03	+0.01	+0 05 −0 03	+0 18	-0.45 -1.06	,kan	Open 106.80	Sett price 106.84	Change +0,11
ketaod	01/09 10/01	6,300 6,500	102.2000	5.99 3.09	+0.10	+0.11	-011 -0.03	-2.60 -1.38				
Katy	06/08	6,000 4,500	114.2200	113	-0.01	-0.02 +0.02	+0.10	-0.86	MOTERIAL	AL EFB SWA	P FUTURES	(LIFFE)* 5yr
	07/03 05/09	4 500 4 500	104.1800	3.44 4.20	-0.02	-0.01 +0.05	+0.03	-1.23 -0.87	,lun	Open 101.34	Sett price 101.27	Change +0.65
	11/27 12/00	6.500	119,5700	5.18	+0.01	+0.04	+0.20	-0 47 -0.33	MOTION!	AL EFE SWA		
- - -	12/03 06/08	4,100 1,800	114,6880 100 3090	0.92 1.76	+0.05 +0.06	+0.06	-0.16 -0.10	-0.23 +0.79	Jun	Open	Seti price 100.61	Change -
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New Zonland	07/09	3.750 8.000	96_9100 105 4001	4.12	-0.01 -0.01	+0.05	+0.18	-0.71 -2.94	italy a nonom	AL ITALIAN (SOVT. BONE	(BTP) AUTU
Manager	07/09	7.000 7.000	108.6343	5.87 4.97	-0 01 +0.02	+0.16	+0.23	-1.20 +0.75		Open	Sett price	Change
Portugal	05/09	5.500 5.375	104 3500	2.92	-0.07	+0.10	+0.20	-0.23	jun Gunda	113.35	113.27	+0.04
Spain	06/08 01/01	5.375 5.000	108.7300	421	+0.01	+0.05	+0 17	-0.78	Spain # NOTION	NL SPAKISH	BOND FUTU	IRES (METT)
Sandan	07/09	5 190 10,250	105.6600	4 45		+0.05	+0.12	-0.54	,iun	Open 97.78	Sett price 97.67	Change -0.06
	05/08	6.500	107.4858 115.7763	3.17 4.36	-0.04 -0.05	-0.10 +0.06	-0.08 +0.19	-1.51 -0.90				
September UK	06/06 07/08	4.500 4.250	103 6400 115,9000	1.39 2.23	-0.08	-0.03 +0.05	+0.03	-0.26 -0.54	UK	N E VEAD C	al 7 Garries	112 (ETFL) 88
	17/01 12/03 12/09	7.000 6.500 5.790	105.3889 107.9423 110.3416	4.78 4.60 4.52	+0.02	-0.03 +0.02 +0.10	+0.10 +0.16 +0.20	-1.88 -1.42 -1.38	- 1011016	Ореп	Sett price	Change
	12/28	6.000	124 7000 99,1318	4 49	+0.01	+0.06	+0.16	-1.34 -0.54	jian jian		108,57 108,28	-0.14 +0.05
_		4,750	98 6522	5.06	-0.03 -0.04	+0.01	+0.02 +0.04 +0.07	-0.57 -0.48	NOTTON	Open		
	02/94 11/08	4.750	95.8853	5 16	-6.02						13036	Change
Landen clasing *	11/06 00/29 New York close	4,750 5.250	96.8853 85 8519	5.54	Source	+0.03	+0.06	-0.36	Mar Jun	116.68 117.25	116.44 117.03	-0.11
Yields: Local pag	11/06 02/29 New York close rivet standers/Ar	4,750 5.250	96.8853 85 8519	5.54	Source or Hally exc		+0.06		jun • UFFE lutym	117,25 a also traded	116.44 117.03 on APT AB 0	-0.11 -0.12 Open interest f
Linden clasing " Yadas Local pa cont physide by 10 YEA	11/06 02/29 New York close ries standard/A _f normaldens.	4,790 5 250 Talisad yle CHMA	95.8853 95.8519 12 basis Yiel RK SI	5.54 ds shown k	r Naky mag		+0.06		Jun • UFFE Lugar Strike	117,25 a also traded LT FUTURES	116.44 117.03 on APT AN O OPTHONES O	-0.11 -0.12 Open interest ti LIFFE) ET00.0
Vields: Local Fina cont payable by 10 YEA	11708 02729 New York closs riest standard/3/ hormaidens. IR BENG	4.790 5.290 Transient vie CHMA Spread vs	96.8853 95.8519 bz basks. Yhel RK SI Spread 13	5.54 ds shown k	r Naky mag	e interactive lade within	+0.06 Base/FT is Brog tax a Spread	nformation t 12.5 per Spread	Jun • LIFTE lutur Staffice Price 11650	117.25 at also traded LT FUTURES Jun 1.58	116.44 117.03 on APT AN O OPTHONES O CA 1 S	-0.11 -0.12 Open interest in LUFFE) ET00.0 LUS
Viditis: Local fina cont payable by 10 YEA Mar 24 Australia	11/08 02/28 New York closs riest standard/A- forumaters. R BENG Stat Yield	4.750 5.250 mg massed via CHMA Spread via Euros +1.36	96.8853 85 8519 bz basis: Yiel RK SI Spread 93 T-Bonds +0.23	S.54 Its shown its PREAL Rethestan	r law na: DS	Bld Yield	+0.06 Bass/FT in thing tax at the same series tax at the same serie	Spread F-Bonds	Jun • LIFFE Lutur all LONG G Strike Price	117.25 as also traded LT FUTURES Jun 1.58 1.31 1.05 0.02	116.44 117.03 am APT AIL (1 1 OPTIONS (1 2.1 1 2.1 1 1.2	-0.11 -0.12 Open interest ii LLFFE) E100.0 LLS
Vields Local per cont physicis by 10 YEA Riay 24 Australia Australia Belgium	11/08 00/29 New York closis riest standard/Ar hormadens. AR BENO Bio Yietd 5.40 4.31 4.24	4.790 5.250 mg. missions visit CHMA Spread visit Euros +1.38 +0.29 +0.22	95.8853 85 8519 Mx basis Yiel RK SI Spread 15 T-Bonds +0.23 -0.86 -0.93	S.54 OB Shown In PREAL Netherlan New Zest Norway	r law na: DS	Bld Yield 4.15 5.86 4.93	+0.06 a Data/FT ill ging tax al Spread vg Euros +0.13 +1.84 +0.91	Spread Spread F-Bunds -1.02 +0.69 -0.24	Jun - JIFFE lutur JI LONG G Strike Price 11660 11700 11750	117.25 st also traced LT FUTURES Jun 1.59 1.31	116.44 117.03 m APT AI 0 OPTIONS Q CA 1 S 1 2.1 1 1.2	-0.11 -0.12 Open interest ii LLFFE) E100.0 ILS
Vieles Local secont objects by 10 YEA May 24 Australia Belgicus Canada Denvoork Fidand	11/08 00/29 New York closs ries standard/A- turnaidens. R BENG Bio Yield 5.40 4.31	4,790 5,290 Mg. Trisalised yle CHMA Spread vs Eurns +1,38 +0,29	96.8853 95 8519 Iz basis: Yiel PK SI Spread 13 T-Bonds +0.23 -0.86	S.54 the shown in PREAL Nothertan New Zeal Norwaya Portugal Spain	r law na: DS	Bid Yield 4.15 5.86 4.93 4.21	+0.06 a Data/FT i bing tax a bing	Spread %5 T-Bonds -1.02 +0.60 -0.24 -0.96	Jun - LIFTE lutym MI LONG GI Strike Price 11650 11700 11750 11850 11850 11900	117.25 as also traded LT FUTURES 1.58 1.31 1.05 0.82 0.84 0.48	116.44 117.03 on APT All 0 0PTICHES 0 	-0.11 -0.12 Open interest if LLFFE) E100.1 E8 1. 18 1. 72 1. 152 1. 33 2.
Vields: Local sea cont objective by 10 YEA Australia Australia Australia Belgiono Canada Deirwant Fistand France Germany	New York close field standard Management of the	4.790 5.290 mg resident year Spread 48 Euros +1.36 +0.29 +0.29 +1.14 +0.36 +0.20 +0.07	95.8539 95.8519 12 basis Yel 25 basis Yel 26 basis Yel 27 basis Yel 27 basis Yel 28 basis Yel 29 basis Yel 20	S.54 Retherton New Zeal Norway Portugal Spain Sweden Sweden Swezerter UK	DS DS	Bid Yield 4.15 5.86 4.93 4.21	+0.06 a Data/FT i bing tax at thing tax at the tax at thing tax at thing tax at thing tax at thing tax at thi	Spread 12.5 per Spread 15. T-Bands 1.02 +0.69 -0.24 -0.96	Jun - LIFTE lutym MI LONG GI Strike Price 11650 11700 11750 11850 11850 11900	117.25 as also traded LT FUTURES 1.58 1.31 1.05 0.82 0.84 0.48	116.44 117.03 on APT All 0 0PTICHES 0 	-0.11 -0.12 Open interest if LLFFE) E100.1 E8 1. 18 1. 72 1. 152 1. 33 2.
Vields: Local succent objective by 10 YEA May 24 Australia Australia Belgicon Canada Denvoork France Gormany Greece Ireland	11/08 Rice for closs rice description results assected to Rice for closs Rice for close Rice for close 1/18/10 1	4.790 5.250 Marcalised via Spread 41.38 +0.32 +0.22 +1.14 +0.36 +0.07 +1.94 +0.07	95.8539 95.8519 12 basis Yel 12 basis Yel 13 Spread 14.23 14	S.54 Rotherlan New Zest Norway Portugal Spain Sweden Sweden Swezerte UK US Source in	OS distand	8kd Yield 4.15 5.86 4.93 4.21 4.39 2.44 4.62 5.17	+0.06 a Denuiff is sing tax at the sing tax at	Spread % T-Bands -1.02 +0.60 -0.24 -0.96 -0.78 -2.73	Jun - LIFTE laters and LONG GI Strike Price 11650 11750 11850 11850 11900 Est. vol. lotal	117.25 sy altro traded LLT FUTURES LLT 1.53 1.53 1.53 1.65 0.054 0.054 0.054	116.44 117.03 on APT AS 0 OPTHORS 9 CA 1 2.7 1 1.5 1 1.7 2 1.6 3 1.3 1 1	-0.11 -0.12 -0.12 -0.12 -0.12 -0.12 -0.12 -0.12 -0.12 -0.12 -0.12 -0.13
Vields: Local ma cont physiole by 10 YEA Riter 24 Australia Australia Belgiums Canada Democrik Fisland France Germany Greece Internot Italy Jopan	1100 0022 0022 0022 0022 0022 0022 0022	4,790 5,250 7 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	95.8833 95.8519 RK SI Spread +0.23 +0.03 -0.06 -0.93 -0.079 -0.95 -1.05 +0.79 -0.95 -0.95 -0.95 -0.95 -0.95 -0.95 -0.95 -0.95	S.54 Northerstan New Zest Norway Portugal Spain Sweden Sweden UK US Source Int Annosingel	OS distand	Bld Yield 4.15 5.86 4.21 4.21 4.39 4.21 4.39 7.44 7.45 7.11 7.11 7.11 7.11 7.11 7.11 7.11 7.1	+0.06 a Denuiff is sing tax at the sing tax at	Spread % T-Bands -1.02 +0.60 -0.24 -0.96 -0.78 -2.73	Jun - LPFE laters and LONG G 1000 G 11650 11750 11850 11850 11900 Ed. vol. 1086	117.25 si albo iraded LT FUTURES	118.44 117.03 on APT As 0 OPTIONS 0 OPTIONS 0 1 S 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	-0.11 -0.12 -0.12 -0.13 -0.11 -0.12
Vields: Local pace ont physical by TEA Ritar 24 Australia Australia Belgiuma Canada Democrik Findand France Gormany Greece incluming the physical by Team of the physical by Team of the physical physical pace incluming the physical phys	Rev for coal rise of standard rise of st	4,790 5,250 70 70 70 70 70 70 70 70 70 70 70 70 70	95.8833 95.8519 RK SI Spread 17-Bonds +0.23 -0.93 -0.91 -0.79 -0.95 -1.15 +0.79 -0.95 -1.25 -0.95 -0.95 -0.95 -0.95 -0.95	S.54 Northerstan New Zest Norway Portugal Spain Sweden Sweden UK US Source Int Annosingel	or Native exercises the standard of the standa	Bld Yield 4.15 5.86 4.93 4.21 4.39 4.34 4.62 5.71 Work do	+0.06 a Data/FT) teleg tax at Spread Spread +0.13 +1.84 +0.19 +0.19 +0.19 +0.60 +1.15 adion	Spread 12.5 per 5 per 6	Jun - JFFE laters JE LONG GE 1900 - 11500 11500 11500 11500 11500 EL vol lotal US TRE/	117.25 si alto iraded LT PUTURES LT PUTURES 1.56 1.57 1.56 0.62 0.64 0.45 0.46 0.48 0.48 0.49 0.64 0.49 0.64 0.49 0.64 0.64 0.64 0.64 0.64 0.64 0.64 0.64	118.44 117.03 on APT AN 0 OPTHORS 9 1 S, 1 1.2 1 1.5 1 1.3 1	-0.11 -0.12 -0.12 -0.12 -0.12 -0.12 -0.12 -0.12 -0.12 -0.12 -0.12 -0.13
Vields: Local ma cont physiole by 10 YEA Riter 24 Australia Australia Belgiums Canada Democrik Fisland France Germany Greece Internot Italy Jopan	Rice to Cota Cota Cota Cota Cota Cota Cota C	4,790 5,250 700 700 700 700 700 700 700 700 700 7	95.8539 95.8519 bz basis: Yiel RK Si Spread 1-8onds: 40.23 -0.86 -0.93 -0.96 -1.75 -0.96 -1.75 -0.95 -0.95 -0.95 -0.95 -0.95	S.54 Northerstan New Zest Norway Portugal Spain Sweden Sweden UK US Source Int Annosingel	or Native exercises the standard of the standa	Bld Yield 4.15 5.86 4.21 4.21 4.39 4.21 4.39 7.44 7.45 7.11 7.11 7.11 7.11 7.11 7.11 7.11 7.1	+0.06 a Denuiff is sing tax at the sing tax at	Spread % T-Bands -1.02 +0.60 -0.24 -0.96 -0.78 -2.73	Jun - JPFE laters JUN G G Safeke Price 11650 11700 11750 11850 11850 11850 Ed. vol. Intel US TREE Jun Sep Dec .	117.25 si also Iraded LT FUTURES 1.58 1.31 1.05 0.64 0.64 0.64 0.64 0.64 0.64 0.64 0.64	118.44 117.03 11 APT AIR OF THOMAS (III S. 1.1.2) 11	-0.11 -0.12 Open interest # 10.00 UFFE) E100.0 11.5 -0.18 -1.5 -5.5 -1.7 -7.2 -1.33 -2.16 -2.2 -3.33 -2.16 -2.2 -3.35 -2.16 -2.35 -3.35 -2.16 -2.35 -3.35 -
Vields: Local secont objective by 10 YEA May 24 Australia Australia Belgiono Consida Denmark Fieland France Gorthamy Greece Instant Laby Japan EMERG	1100 00721 Rice that clothy and c	4.790 5.250 Translated vis Euros Futos +1.36 +0.29 +0.29 +0.20 +0.07 +1.94 +0.40 +0.22 +0.20 -2.21 ***********************************	95.8539 95.8519 8z basis: Yiel RK Si Spread 13: 17-Bonds: 40.23 40.23 40.27 40.27 40.27 40.27 40.27 40.23 40	Nothersan New Zeal Norway Portugal Spain Sweden	OS del de la de la del	Bid Yield 4.15 5.86 4.93 4.21 4.39 2.442 4.39 2.442 7.467 Thiory Vol. clo	+0.06 BeauFT is	Spread \$ 12.5 per \$ 1.02 + 0.69 - 0.26 - 0.96 - 0.96 - 0.73 - 0.55 \$ 10.5 \$ 1	Jun - JPFE bayers Japan Lower State Price 11650 11700 11850 11850 11850 Est. vol. Intelligence State U.S. In U.S. TREE Lower State U.S. Japan Dec	117.25 si also traded LT FUTURES Jun 1.58 1.37 1.05 0.82 0.84 0.84 Cala 530 Pu SURY 9040 Open 121-10 120-28 120-30	118.44 117.03 11 APT AIR OF THE SECTION OF THE SECT	-0.11 -0.11 -0.11 -0.11 -0.11 -0.11 -0.12 ft Interest int
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Wedes Local sus cont consists by the control of the	# 100 07:20 # Note for Control of the Control of t	4.790 5.250 Transition of the	95.8539 95.8519 92 basis: Yell Spread 1-80nds 1-80nds 1-80nds 1-80nds 1-80nds 1-80nds 1-80nds 1-935 1-0.95	Notherson III Retherson III Rether	OS discontinuo Di	Bid Yield 4.15 5.86 4.93 4.21 4.39 2.442 4.425 1.7 staff information in the control of the contr	+0.06 BeauFT is series to a construction of the construction of th	Spread % T-Bonds -1.02 +0.59 -0.24 -0.96 -0.78 -0.55 Spre % US +4.10 +1.33 +36.54 +4.06	Jun - LPFE later JE LIGHT G Statke Price 11650 11750 11850 11850 11850 11850 11850 LIS THE US LIS THE Jun Sep Dec Japan Jun Sep Euro Euro	117.25 si abo iradel LT PUTURES Jun 1.56 1.37 1 05 0.82 0.85 0.46 0.46 0.48 0.48 0.48 121-10 120-28 120-30 0.48 LONE TS Open 131.00	118.44 117.03 11.703 11.703 12.11 13.12 13.13 13	-0.11 -0.12 -0.12 -0.12 -0.12 -0.12 -0.15 -0.16 -0.15 -0.17
Vields: Local reacont physiology by 10 YEA May 24 Australia Australia Australia Australia Belglacus Canada Democratic France Gormany Grusce Internot Raly Japan EMERG Mar 24 JERROPE Crostia Polynd Russia BE LATEN AI Aryeniasa Bessal Mendoo Massa	1100 00721 00721 1100 1100 1100 1100 110	4,790 5 250 Transferor vice CHMAA Spread +1.38 +0.29 +0.29 +0.36 +0.20 +1.14 +0.36 +0.20 +0.21 -2.21	95.8539 95.8519 95.8519 92.85319 93.85319 94.85319 95.853	Nothertan New Zeel Norway Portugal Spain Sweden Sweden Sweden of Antonied DS Bild price 2374 88.9753 68.7500 01.5000 01.5000	ds and ds	Bid Yield 4.15 5.86 4.21 4.21 4.29 2.44 4.89 5.17 MarFT Information with the control of the cont	+0.06 BeauFT 1 Spread to 4 Spread to 4 Spread +0.13 +0.19 +0.19 +0.19 +0.19 +0.19 +0.19 +0.19 +0.10 +0	Spread 12.5 per 12.5	Jun - LPFE later JUNG G Statike Price 11650 11700 11750 11850 11850 11850 11850 Ed. vol. Intel Jun	117.25 si abo i tradel LT FUTURES Jun 1.56 1.37 1.06 0.82 0.85 0.46 0.46 0.48 0.48 120-30 Open 121-10 120-28 120-30 ML LONE TE Open 131.00 FUTURES (M	116.44 117.03 11 APT AN C C OPTIONS 9 1 OPTIONS 9 1 S.1 1 1.3 1 1.3 1 1.3 1 1.3 1 1.3 1 1.3 1 1.3 1 1.3 1 1.3 1 1.3 1 1.3 1 1.3 2 1.3 2 1.3 3 1.	-0.11 -0.12 -0.12 -0.12 -0.12 -0.12 -0.12 -0.12 -0.12 -0.12 -0.12 -0.12 -0.12 -0.12 -0.12 -0.12 -0.12 -0.12
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FISE International de 100: Government de 100: Gover	List 1988. Au ri ni Sociation 15/ S PRIC - Yeats dies int. Rad - 1225 5 22 - 1042 4.87 - 231 4 54 - 231 4 54 - 317 4.89 - 317 4.89 - 317 4.89 - 317 4.89 - 317 4.89 - 318 4.86 - 318 4.8	Price : 102.0054 103.0054 103.0054 103.0054 103.0054 103.0056 103.0056 103.0056 103.0056 103.0056 103.0056 103.0056 103.0056 103.0056 103.0056 103.0056 103.0056 103.0056 103.0056 103.0056 103.0056 103.0056 103.0056 103.0056	ed. to Free land and a second a	1998/99. 1838 1838 1838 1838 1838 1838 1838 183	Severant S. E. activities (C. S. activities (C.	Tream 12/2; Iream	Fig. 2003–5 c. 2005 c. 2005 c. 2005 c. 2006 c. 2006 c. 2006 c. 2006 c. 2007 c. 2008 c. 2008 c. 2008 c. 2008 c. 2009 c. 200	- 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	Maria 12 12 14 15 16 16 16 16 16 16 16 16 16 16 16 16 16	Price E 32 1483 32 1483 31 1976 31 197	07 - 189 0297 135.3 0754 135.3 10754 135.3 10754 135.3 10756 1275 10750 1275 10750 1275 10750 1275 10750 1375 10750	2 week 100	Indica-Li Place 2 lage 2 lage 4 lage 2 lage 4 lage 2 lage 4 lage 2 lage 4 lage 2 lage 6 lage	Industrial 199	Notes	76 (1) 4 (1)	77 132 158 48 1953 204 1977 132 174 22 124 136 1953 1963 1965 1966 1965 1966 1966 1966 1966 1966	(2201)99 2408 — 2408 — 2709 2503 — 2709 2	0576 198 0576 198 0576 296 0576 296 0576 296 134 0511 236 132 0511 236 230 2132 193 2301 187 2305 188 06 1 198 24 198 25 188 26 18 188 27 187 28 18 18 18 18 18 18 18 18 18 18 18 18 18	52 week Lo 18 190. 18 190. 197. 198. 199. 199. 199. 199. 199. 199. 199
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FISE international she 100: Government of 100: Gove	List 1988, All rid 1988, All r	Price : 100,000 and 100,455 an	### ### ### ### ### ### ### ### #### ####	1995/90. 199	Severant SE activities of the Control of the Contro	Treas 12/2 Ireas 8/20 Conv 9/4 pross 8/2 pross	Rope 2003-6 2006 2006 2007 2007 2007 2007 2007 2007 2007 2007 2007 2007 2007 2007 2007 2009 2007 2007 2007 2007 2007 2007 2007 2009 2007 2009	2 complete 4 - Yuman 946 4 - 10 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	12 12 13 14 15 15 15 15 15 15 15 15 15 15 15 15 15	Price E 32 1483 32 1483 31 19706 31 19706 31 19706 32 1983 33 1983 33 18 347 40 2444 40 2445 40 2447 40 2447 40 2447 40 2447 40 2447 40 2447 40 2447 40 2447 40 2447	0 - 199 0 - 199 1 -	12 miles 127.44 1 miles 1 mile	Indianal Line State Indianal Line State St	interest of the second of the	Notes	7 Years	77 132 158 48 1953 204 1977 132 174 22 124 136 1953 1963 1965 1966 1965 1966 1966 1966 1966 1966	(2201)99 2408 — 2408 — 2709 2709 — 2709 — 2709 2709 — 2709 — 2709 2709 — 2709 — 2709 2709 — 270	0576 198 0576 198 0576 296 0576 296 0576 296 134 0511 236 132 0511 236 230 2132 193 2301 187 2305 188 06 1 198 24 198 25 188 26 18 188 27 187 28 18 18 18 18 18 18 18 18 18 18 18 18 18	52 week Lo 18 190.75 18 190.75 194.00 197. 195.15 197.15
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FISE international and 100: Government and 100	List 1988, Au in a Securition 15/ S PRICE - Yeath Yeath Yeath Yeath 12/5 52/5 10/42 4.87 -	Price : 100,000 and 100,000 an	### ### ### ### ### ### ### ### ### ##	19859	Severant SE activities (SE activitie	Treas 12/2 Ireas 8/20 Conv 9/4 Press 8/20 Ireas 8/20 Ir	Re 2003-6 2006 2006 2007 2007 2007 2007 2008 2009 2009 2010 2011 2011 2012 2010 2011 2011 2012 2010 2011	- Yuman	12 12 12 13 14 14 15 14 15 15 15 15 15 15 15 15 15 15 15 15 15	Price E 32 1483 31 1744 31 1744 31 1745 11 18 1955 12 1988 13 1988 13 1988 14 18 17 14 18 17 15 18 17 16 18 17 17 18 17 18 17 17 18 17 17 18 17 17 18 17 17 18 17 17 18 17 17 18 17 17 18 18 18 18 18 18 18 18 18 18 18 18 18	67 - 184 10297 135.5 10754 135.5 10754 135.5 10754 135.5 1025 136.2 1026 136.2 1027 136.2 1028 142.5 1029 142.5 10391 142.5	12 mest	Index-Li Page Page Page Page Page Page Page Page	interest of the second of the	Modes Com (- Yest (1) 3 3 (2) 3 (3) 3 (4) 3 (4) 4 (5) 5 (4) 5 (4) 6 (5) 6 (5) 6 (5) 6 (6)	158 45 3	(2201)56 2408 2408 2503 2503 2503 2503 2503 2503 2505 2	9, law 50.3 107 - FF 198 0576 198 0576 200 19832 200 19832 200 1983 236 134 1983 236 134 236 136 187 2905 186 10f (1) 5% 186 10f (1)	52 week 1 190.2 1 146 190.2 1
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Nato bombing draws muted response

MARKETS REPORT

Currency markets reacted with relative calm to the expected Nato bombing of the drachma's spot rate Hungarian forint all falling Serbia, the main event of yesterday's London trading

Rising tension in the drachma and eastern European currencies to fall. But analysts said the effect was muted compared to past episodes of military action.

The euro was little rate is being determined by affected by the day's events, fighting back from an earlier fall to climb against the dollar. And even the widely expected rise in the safe haven Swiss franc against the dollar and euro was barely noticeable

At the end of the London POUND IN NEW YORK session yesterday the Swissie was at SFr1.458 against the dollar and SFr1.592 against the euro, both little changed from Tuesday.

■ The fall in the drachma have been several times was less than might have larger, Mr Norfield said. been expected because of the effect of Emu expectations, some analysts said.

"The big driving force on recently has been the expectation of entry into European monetary union on the forward rate," said Tony region caused the Greek Norfield currency strategist at ABN-Amro in London. "So the tension over Kosovo has affected the spot rate less than might have been thought, since the forward

> The drachma fell by about one per cent against the euro during London trading yesterday. But without the support from possible future Emu entry the fall could

something else."

-- Prev. close 1.6404 1.6435

The effect on Eastern

European currencies was more severe, with the Czech sharply against the dollar. But with the Polish and

Czech economies suffering the effects of sluggish growth in Europe and the continuing uncertainty to were in a more precarious position, analysts said.

■ The star performer of yesterday's London session was sterling, which defied the gloomy predictions of many to power higher against the The dollar had a poor day

rencies, as concerns over falls in US equity prices outweighed the safe haven status of the US currency.

against most other large cur-

Against the euro (drachma per &)

the break down through the \$1.60 level which many have predicted, rose towards \$1.65 yesterday before heavy sell-

ing forced it lower. It closed at the end of London trading at \$1.643 against the dollar and £0.665 against the euro.

The Bank of England was But its fall against the suspected by many of inter-pound was the most marked. vening to halt the pound's Sterling, far from showing rise, the Bank's monetary

policy committee having recently spoken of the threat explanation is good modelto the economy if the cur-

rency remains high.
But one well-placed trader said a far more likely cause of the sterling sales was the protection of a large option with a \$1.65 knock-out.

advanced for the initial rise in sterling. Reports of a pos-sible sale of the One-2-One mobile phone operator could lead to an inflow of up to £11bn into the currency. But Mike Wallace of Standard and Poor's MMS said that there had been persistent rumours from the US of hedge fund interest in buying sterling.

OTHER CURRENCIES

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Russia	42.7871	- 43.3652 26.6500	- 26.3500		
IJAE	6.0024	- 6.0067	3.6727	- 3.6731	

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

driven interest from a hedge fund," Mr Wallace said.
"With liquidity in the mar-

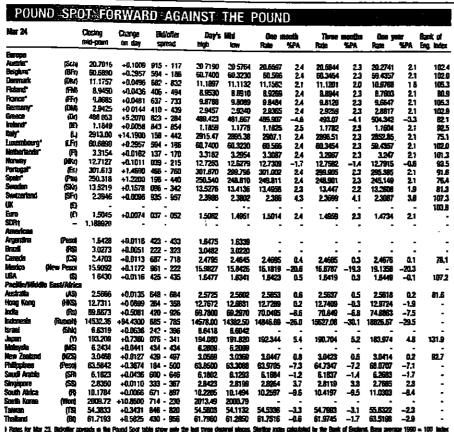
ket thin because of the uncertainties over Kosovo, those large moves took place almost in a trading vac-

He added that the hedge fund interest in buying the pound was noted by traders in currency futures in Chi-

cago as early as Tuesday. Technical analysts confirmed that sterling had looked a good buy in recent days. "Tuesday's move com-pleted the right shoulder of an inverted head and shoulders top," said Brian Marber, the independent technical analyst. "That signalled a rise against the dollar and advised clients to buy."

But Mr Marber added that the declining three-month average meant that sterling was not invincible and positions should be tightly stopped.

WORLD INTEREST RATES 3.00 3.00 1.00 4.50 2월 1일 4개 III \$ LIBOR BBA Interhealt Fliding US Dotter CDe Euro Listed Ds SDR Listed Ds BBA Euro Libor Euro Euritor EONIA Euronia London washesi foing rate (LEOR) is the Mild rates are shown for the districtic Money INTERNATIONAL CURRENCY RATES 3 - 28 3% - 3½ 5% - 5% 1½ - 1% 48 - 48 5 - 48 2 - 2 21 - 21 34 - 25 32 - 32 55 - 52 12 - 14 42 - 45 40 - 45 24 - 14 Euro Canish Krone Stezing Swiss Franc Canadian Dollar US Dollar Jagarrese Yen Asian \$Sing OF THIRE MONTH SURBOA FUTURES ANATE-Parts Interbank offered rate Est voi Open Int. 36,830 27,532 THREE MONTH ELRIBOR FUTURES (LIFTE) Etm 100-cal Est. vol. Open int. Open Sett price 197949 169899 96587 85027 97.140 97.160 98.910 97.050 +0.035 +0.035 +0.035 +0.030 97.165 96.935 97.050 IN THREE MONTH PURO LIBRAR PUTURES (LIFFE) (1m 100 - rais Open Seti price High Open Int. 97.140 97.160 96.910 97.050 +0.035 +0.035 +0.035 +0.030 105952 93028 83397 84148 EUREBOR OPTIONS (LIFFE) €1m 100-rate 97125 97250 97375 0.065 0.035 0.015 0.180 0.025 0.090 0.070 6.180 0.015 0.005 0.025 Sett price Change Open Int. Open +0.050 +0.060 +0.050 98.770 98.650 105030 51739 18058 10041 98.760 98.640 98.290 98.330 98.590 THREE MONTH EUROYEN FUTURES (LIFFE) Y100m 100 - rate Open Sett price 99.75 " LIFFE tulures also staded on APT EL EURO SWISS FRANC OPTIONS (LIFTE) SF/1 in 100-rate PUTS Dec 0,070 0.430



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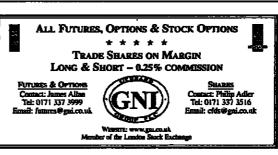
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MARKETS REPORT

28

By Paul Solman Brent blend crude oil inched five months, before retreat- \$13.73. ing on a round of profit-

taking. The benchmark May contract on London's International Petroleum Exchange spent much of the day at around \$13.97 as the oil market showed optimism that

Tuesday's deal between leading producers would bring real cuts in output.

However, in late trading Brent had fallen back to close to \$14 a barrel yester- \$13.50 a barrel, compared day for the first time in over with Tuesday's close of

The price has risen 40 per cent since mid-February on expectations that this week's meeting of the Organisation of Petroleum Exporting Countries would lead to a concerted effort to curb global oil production.

December it fell to a 12-year low of under \$10.

Analysts remained cautious about whether Tuesday's deal - which ratified an earlier agreement in the Hague and included members and non-members of Opec - would deliver the promised production cuts of 2.1m barrels a day.

"It remains to be seen how much the cutbacks will be and how long they will last,"

since early October, and in Kleinwort Benson said Exchange also slipped back operation after being inter-

Many oil producers failed to adhere to a similar agreement last year to cut 2.6m barrels a day.

"We should get some indication of whether the cuts will stick by the end of April," Mr Varzi said, adding that Dresdner Kleinwort Benson still expected Brent crude to average only \$14 a

barrel this year.

yesterday, trading at \$15.20 a rupted by Cyclone Vance. barrel in the afternoon against Tuesday's close of \$15.51. The Nymex contract precaution because of heavy has surged 30 per cent in the rain.

past month. nickel sliding \$135 to close at \$5,135 a tonne.

The May crude contract on tralia's largest gold mine at day.

It has not closed above \$14 Mehdi Varzi at Dresdner the New York Mercantile Kalgoorlie returned to full The mine had been shut down on Tuesday as a safety

> Robusta coffee prices Base metals prices were bounced back through \$1,500 unable to repeat Tuesday's a tonne on the London Intergains, with all but tin ending national Financial Futures lower and three-month and Options Exchange, the most actively traded May contract closing at \$1,505 a In other metals news, Austonne for a gain of \$15 on the

Malaysian palm oil sales still subdued

By T.J. Tan in Koala Lempur

Export demand for Malaysian palm oil continues to be subdued, although Spain, Turkey and the UK are showing interest in increasing April and May shipments

Recent sharp price falls have made palm oil, which trades at a premium to competing oils such as soya, more attractive to these buyers, according to the refiners. Since the start of this year the export price of refined palm olein has dropped \$150 to \$495 a tonne FOB for nearby shipment.

Shipments in March are likely to total less than 550.000 tonnes, according to Societé Générale de Surveillance (SGS), an international inspection and services firm, pegging exports during the first 20 days of this month at 461,000 tonnes.

Though higher than the 141,000 tonnes achieved in February, the March estimate is below the year ago level of 661,000 tonnes.

Helping exports in March was exceptionally high demand from China, where processors are rushing to fulfil import quotas before they expire at the end of the month. They fear unused quotas would not be allowed to be transferred to the

1999-2000 marketing year. China has not yet set quo tas for 1999-2000, but Malaysian Palm Oil Research Institute officials believe it would continue to permit imports

of 1.1m tonnes. There has been talk that the level would be cut to 700,000 because China is trying to develop its oilseeds crushing and milling sector. This month sales to China could exceed 110,000 tonnes, compared with 45,000 tonnes

Other big buyers are Pakistan, the EU and India, although India's state-owned State Trading Corporation last purchased Malaysian some refiners report that palm oil more than a month ago, when it bought 12,000 tonnes of the product.

According to exporters, private sector traders in India are likely to buy about 90,000 and 40,000 tonnes of Malaysian and Indonesian palm oil respectively in March. SGS pegs Indian purchases of Malaysian palm oil at 57,000 tonnes for the first 20 days of the month. The Saudi Arabian Vegeta-

ble Oil and Ghee Company and Egypt's Migop are reported to have also bough large quantities of Malaysian palm oil. The former bought 120,000 tonnes of the May-December contract and the latter a similar amount for shipment in May and June.

Concern that exports are unremarkable have weighed on Malaysian palm oil prices, as has the fact that importers are buying only when necessary amid predictions the harvest will climb substantially over the next few months.

Ivan Wong, a crop analyst, has predicted the harvest in March will rise 18 per cent from February's 562,000 tonnes. This year, Malaysian production is expected to rise 8 per cent to 9m tonnes

However, Kumpulan Guthrie, a leading grower, says trees are recovering from the El Niño stress of last year and output would more likely be about 8.7m tonnes.

Defaults on contracts by Orbis, an Australian trading firm, after customers in India, Pakistan and China refused to honour purchases, have also affected the market. As much as 30,000 tonnes of palm oil of the April-June contract may be involved, say traders.

-

-274

Newmont puts brave face on Batu Hijau prospects

The copper and gold mine is big in every way but price falls have cast doubt on whether it will make money, says Sander Thoenes

ewmont's new Batu Export-Import Bank and Hijau copper and gold mine on an island east of Bali is big in every way. It is the world's largest mine in the making and it however, copper and gold required initial capital prices have slumped. Batu expenditure of \$1.9bn. However, the biggest thing of all stone, was planned assumis the question of whether or not it will make money.

The mine will have a starting capacity sufficient mining plan five times, latto process 142,000 tonnes of terly on the assumption of ore a day when Newmont an 80 cents price that would begins testing the mills in September on the island of ther fall is forcing the com-Sumbawa.

Rather than starting small and expanding, as did its Newmont's ability to meet competitor Freeport McMo- its loan repayments, which Ran in Irian Jaya, Newmont start in mid-2001, or earlier if and its equity partners, the the mine is up and run-Sumitomo Metal Mining and ning. Mitsubishi Materials of Japan, are starting big.

Scale was very important to get the optimum return on investment," said Wayne Murdy, corporate finance officer at Newmont's headquarters in Denver, "We can net present value of minus design for maximum efficiency from the start."

Of the \$1.9bn up-front capital expenditure, \$1bn is in loans from the Japanese was implementing or a drop Export Import Bank, the US in smelter prices.

ment bank, and \$900m from the equity partners.

Since the project began. Hijau, which means green pound; it is now at 62 cents. Newmont has adjusted its

rise to 95 cents. But a furpany to think again. Analysts too are reassessing

Richard Ness, executive director at the mine, calculated before an audience of Indonesians earlier this year that, at 70 cents a pound, the mine would have a negative return on investment and a \$1.1bn. Mr Ness later said this calculation factored in only price fluctuations, not the cost-savings Batu Hijau sacrificing I per cent of

"We're right at the edge," KfW, the German develop- insisted Mr Murdy, also using a 70 cent price assumption. "We think we can make it."

The mine holds 420 tonnes of gold at a grade of 0.314 grammes a tonne, and 5.9m tonnes of copper at 0.468 per ing a copper price of \$1 a cent. That is relatively lowgrade and sensitive to a price slump. But the mine promises a high recovery rate of 93 per cent and is located only 15km from the Indian Ocean, which will keep transport costs relatively low.

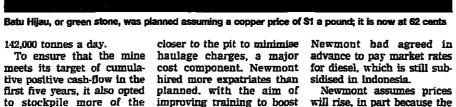
Its copper cut-off grade is 0.3 per cent but Newmont will not say how much of its copper reserve can be processed profitably at 80 or even 70 cents.

Instead, Mr Murdy says the company is focusing on lowering the cash cost, which is targeted at 50 to 55 cents per pound and could have been 5 to 7 cents higher if not for a series of efficiency measures. As prices dropped, New-

mont opted to mine more and maximise throughput, back. We'll make money on recovery by raising processing from 120,000 tonnes to

GRAINS AND OIL SEEDS

THE WHIEAT LIFTE (100 torsies: E per tornal)



lower grade ore. "We don't want anyone to think that stockpiling means we are abandoning the ore.' in later years. said Dave Francisco, senior vice-president for international operations. "The price of copper is going to come

SOFTS

W COCOA LIFFE (10 Images: £0s

Mr Ness said the stockpiles had been relocated

142.000 tonnes a day.

advance to pay market rates cost component. Newmont for diesel, which is still subhired more expatriates than planned, with the aim of improving training to boost productivity. It aims to Asian economies should speed up replacement of recover and also because expatriates with local staff

The company also delayed construction of administrative offices and houses, as well as purchases of trucks and shovels. The rupiah devaluation did little to reduce costs, however, as most are in dollars, while

810 806 26 542 819 806 1.376 48.013 835 822 538 16.355 854 841 1.579 27.522 876 867 930 27,033

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Prev. day 929.21

going out of business before

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55.450 -0.250 56.700 55.150 3.149 14.882 56.550 -0.075 57.400 56.150 345 5.372 56.750 -0.275 57.400 56.500 1.098 4.866 54.850 +0.075 55.150 54.750 552 5.743

55 275 +0.125 55.450 55.100 305

Mary 55.000 –0.359 55.700 55.000 15 May 55.375 –0.625 57.100 56.000 2.058 Juli 56.200 –0.525 57.600 95.730 365 Aug 54.600 –0.850 56.350 55.000 45 Total 2,483

LONDON TRADED OPTIONS

E COPPER

800 _____

7,958 \$9,282

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12 2,120 LONDON SPOT MARKETS

26 CRUDE OIL FOR (per barrel)

Brent Blend (dated) \$73.28-3.36
Brent Blend (May) \$13.57-3.65
W.T.L \$15.21-5.24a
M. COR. PRODUCTS NWE prompt delivery CF (

\$147-150

MEAT AND LIVESTOCK

LIVE CATTLE CME (40.0000bs; cents/2s)

III LEAN HOGS CIME (40,000lbs, cents/lbs)

sidised in Indonesia.

Newmont assumes prices

will rise, in part because the

some mines will have to

surprises," Mr Ness said.

"Our operators are more pro-

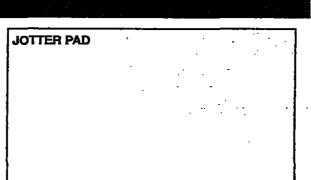
ductive than we expected.

We're below budget. There

will be a lot of mines

"We've had some pleasant

close or reduce output.



CROSSWORD

No.9.947 Set by VIXEN

4 Impudence that is about

5 Many study from fear (5) 6 Force change after getting

accepted by division (9)
There's cheerfulness shown

8 Characteristic consider-

14 Drink provided for a bird in a store display (4.5) 16 Having to make a cut with-

out queen suffering (9) 17 Dispose of oriental fruit,

20 Debates about price-fixing

23 Army sergeant major going about his business? (5)

24 A bluff upstanding moralist

Solution 9,946

holding up brown one (9) 18 Defer pay-out if America

land (5)

ation (7)

intervenes (7)

many (5)

about second-rate plot of

personal support for a

ACROSS 1 This plant can give some trouble, note (7)
5 Old lady getting fare pledge

9 Precocious youngster playing endlessly (5) 10 A number enter new craft and show a certain agility Soldiers forcibly recruited

might well be subdued (9) 12 Concerning the first female magistrate (5) 13 One doesn't have to have them! (5) 15 Very green, but a good mixer (9)

18 Veronica is fly - and quite rightly (9) 19 Some of the local eighteenyear-olds hang around in 22 Negotiating a rise in Gertown (5) 21 The twister's salary (5) 23 Issuing it, Germans may

when there's complaint 26 Come to a stop, the way everybody should do (5) 27 Drawing of an Indian city with dark frame (7) 28 Taken from the newspapers say (7)

annear disconcerted (9)

25 Surveys rail-transport

I The swine with a club - a chunk of metal (3-4)

2 Horological work to date only part written (9) 3 He sees point in backing

For solutions to today's crossword call 0906 843 0060.

COMMODITIES PRICES BASE METALS LONDON METAL EXCHANGE Prices from Amalogorated Metal Tradinol E ALUMBRUM, 99.7 PURITY (S per forme)

	Casa	3 11125
Clase	1240-1	1262-3
Previous	1244-45	1 264-64. 5
High/low		1263/1250
AM Official	1231.5-2.0	1252-2.5
Karb clase		1256-7
Open Int.	294,458	
Total daily turnover	95,565	
THE ALUMINOUS ALLOY (S		
Close	1111 -6	1136-7
Previous	1114-19	1135-38
High/low		1140/1130
AM Official	1115-7	1133-5
Kerb close		1135-7
Open int.	9,211	
Total daily tumpeer	2,607	
I LEAD (\$ per tonne)		
Clase	513-4	574-5
Previous	513-4	513-4
High/low		<i>514/</i> 510
AM Official	508-8.5	510-10.5
Kerb close		513-4
Open Int.	36,586	
Total delily tumover	9,300	
EXCISEL (\$ per torme)		
Close	5055-65	E130 Ar
Previous		5130-35
High/four	5190-200	5260-70
AM Official	COAL CO	5190/5075
Kerb close	5045-50	5105-10
Open int.	72 622	5135-40
Total daily surpover	73,623 24,048	
	74'n40	
TIN (S per torme)		
Close	5355-65	5305-10
Previous	5395-405	5345-50
High/low		5330/5280
AM Official	5340-50	5290-300
Kerb close		5305-10
Open Int.	19,482	
Total daily bumpyer	6,581	
M ZRC, special high gr	ade (S ner in	finei
	_	
Previous	1042.5-3.5	1055-6
High/low	1042-43	1054-55
AM Official	1034 5	1055/1045
Karb close	1034-5	1047-8
Open int		7052-3
Total daily turquer	Q6 530	
	95,528 18 210	
E COORCE amoin a ro-	18,210	
E COPPER, grade A S p	18,210	_
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Close Previous	18,210 per lanne)	7456-6.5 1449-50
Clage Previous High/low	18,210 per tonne) 1426-9	1449-50
Close Previous High/Iow AM Official	18,210 per tonne) 1426-9	1449-50 1460/1439
Clase Previous Highliam AM Official Kerb clase	18,210 per tonne) 1428-9 1421-22	1449-50
Close Previous Highlion AM Official Kerb close Open int.	18,210 per tonne) 1428-9 1421-22	1449-50 1460/1439 1439-40
Close Previous High/Ion AM Official Kerb close	18,210 per tomne) 1428-9 1421-22 1411-1.5	1449-50 1460/1439 1439-40
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Close Previous Highling AM Official Kerb close Open int. Total daily binover	18,210 per torme) 1428-9 1421-22 1411-1.5 174,034 71,951 rate: 1,6430 x: 1,5400	1449-50 1450-1439 1439-40 1445-6

667 674 - 66.70 66.70 PRECIOUS METALS 284.250 173,747 259.826 284.250 173.091 259.708 284.80 285.10

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Precious Metals continued ■ GOLD COMEX (100 Tray az.; \$/fray az.) 9 -0.5 283.6 283.6 6 --0.6 285.2 283.7 35.491 55.304 -0.6 287.4 286.1 12,137 51,300 -0.6 289.2 288.5 155 9248 -0.7 - 416 2.997 PLATERIAM NYMEX (SO Troy oz.: S/troy oz.) 373.1 -29 376.9 372.5 1,620 9,727 374.9 -23 377.8 374.5 1,349 5,222 375.6 -23 377.5 377.5 5 1,114 PALLADRIM NYMEX (100 Troy oz.; S/troy oz.)

11,919 76,862

ENERGY 15.20 -0.31 15.83 15.08 62.449 152k 15.27 -0.23 15.82 15.15 28,110 93,059 15.27 -0.05 15.73 15.30 12,156 47,783

11.70 -0.42 42.90 41.60 1.169 14.648 42.45 -0.32 43.30 42.40 1.909 8.636 41,286178,232

122.75 - 2.50 128.50 122.50 9.47 33.060 121.75 - 2.50 126.75 127.00 9.635 31.332 122.25 - 2.00 125.75 127.00 5.703 19.320 123.50 - 1.50 127.00 123.50 1,734 9.431 124.75 - 1.50 128.75 125.75 423 6.865 125.00 - 1.50 128.25 128.25 180 7.077 E NATURAL GAS PE (1,000 therms; porce per therm)

9 500 +0 120 9 500 9 500 245 3,750 9 500 +0 130 9 500 9 500 2,360 2/3 2/6 1.885 +0.008 1.890 1.870 1,896 14,989 1.920 +0.012 1.925 1.905 2,481 15,479

THE LEADED CASOLINE NYMED: (42,000 US galls., c/US galls.) 47.80 -0.111 50.30 47.60 9.483 27.881 48.70 -0.85 50.85 48.40 12.551 22.982 49.20 -0.54 50.90 48.55 4.565 20.349 48.95 -0.95 50.55 48.90 4.281 17.75 48.90 -0.14 49.90 48.20 1.558 4.983 47.85 -0.47 49.10 47.50 700 3.192

74.10 -0.40 74.50 74.25 101 3.075 75.75 -0.50 76.75 75.75 74 1,873 75.00 -0.50 - 272 806 -12 812 -12 828 -11 845 -11 870 -11 76.75 -0.50 77.50 76.75 78.75 -0.50 - -80.75 -0.50 81.25 81.25 ■ WEIEAT CBT 6,000bu min: cents/60b busheb ■ COCGA CSCE (10 tornes: \$/fo 269 75 -3.00 278.00 269.00 3,328 42,601 280.00 -2.75 289.00 279.00 8,097 54,115 280.75 -3.25 297.50 290.90 879 6.032 305.75 -2.00 311.00 305.50 1,611 11,206 315.50 -0.50 321.00 315.50 33 2,676 14,550 118,777 1232 1267 1303 MAIZE CBT (5,000 bu min; cents/560 bushe) III COCOA (ICCO) (SDR's/ionne) Have 288.00 -0.50 230.75 227.00 29.835130.953 Jai 234.25 -0.50 298.75 233.50 11,758106.177 Sep 239.00 -0.75 241.75 238.50 1,985 24.615 Dec 246.50 -0.75 241.75 246.00 8,839 78.389 liker 253.50 -0.50 255.50 250.00 1,450 12,191 May 257.25 -0.50 258.00 257.00 1,33 1,045 Total COFFEE UFFE (5 torses; \$/torne) 1690 -30 1729 1691 395 3.056 1905 +15 1508 1438 2.554 30,499 1512 +13 1515 1498 1,718 14,196 1522 +14 1517 1510 172 5,755 1525 +15 1522 1512 80 1,762 1523 +13 1520 1515 22 458 4,942 55,890 Her Hery Jul Sep Hov Jan Total THE BARLEY LIFFE (100 townes; £ per tonne) 75.25 -0.25 - - - 163 73.75 -0.25 - - 35 76.00 -0.25 - - 375 78.90 -0.25 - - 20 COFFEE "C" CSCE (37,500ths; cents/fbs) 101.90 +0.95 102.90 101.00 7,285 25,497 103.55 +0.80 104.44 102.90 1,774 9.485 105.35 +0.75 105.90 105.00 606 5,884 106.85 +1 15 107.50 106.50 296 2.968 108.30 +0.80 108.40 108.25 83 854 487.75 -5.50 502.00 486.00 29,594 83,257 496.25 -6.50 510.50 495.00 8,506 44,649 498.75 -6.50 513.00 498.25 363 14,997 500.25 -6.50 514.00 500.00 421 6,757 508.50 -6.50 522.50 597.50 423 31,081 518.50 -6.75 532.00 517.00 124 1,425 43,949 164,336 COFFEE (ICO) (US cents/pound) Mar 23 Comp. daily _____ 15 day average N SOYABEAN OIL CET (60,000/fbs; cents/fb) 19.15 +0.28 19.16 19.00 1.042 25 19.38 -0.05 19.67 19.25 13.480 44.480 19.64 -0.08 20.15 19.58 5.865 32.367 19.83 -0.04 20.30 19.78 708 9.017 19.98 -0.04 20.45 19.98 1.690 8.297 20.11 -0.05 20.51 20.10 339 5.293 22.866 134.831 193.8 -0.3 197.0 193.5 2,469 21,161 189.1 -1.0 191.1 187.9 1,860 15,859 187.7 -0.5 190.0 187.2 812 11,990 189.7 - 191.5 189.2 424 4,839 196.5 +1.3 198.0 196.5 220 3,333 198.5 +1.3 200.1 199.0 168 1,369 5158 5178 23,856 134,831 III SOYABEAN MEAL CET (100 tons, \$/ton) SUSAR "11" CSCE (112,000lbs; cents/lbs) 133.7 -2.0 137.0 132.1 12.014 40.242 135.1 -2.5 138.5 134.1 4,960 34,522 136.2 -2.7 139.8 135.8 1,296 11,167 137.6 -2.8 141.1 137.0 495 9,016 138.7 -2.7 141.0 138.3 126 4,897 141.9 -2.6 145.2 141.3 637 14,205 19,641 114,568 5.47 -0.13 5.75 5.43 8.859 89,837 5.33 -0.11 5.54 5.30 5.433 48,064 5.71 -0.12 5.93 5.68 2,168 28,470 6.28 -0.15 6.90 6.35 437 18,977 6.34 -0.15 6.53 6.53 12 3,796 6.40 -0.15 6.60 6.60 12 2,120 M POTATOES LIFFE (20 tormes; E per tonne) EL COTTON NYCE (50,000ths; cents/ths) 284.0 -2.9 285.0 276.0 130 987 310.0 -6.9 312.0 309.0 32 100 320.0 -6.3 - - - - -80.0 - - - - - -120.0 - - - - - -May Jul Oct Des Mar May Total 61.52 -0.75 62.50 61.30 5.185 22.688 61.55 -0.58 62.40 61.30 1.971 14.493 60.85 -0.55 61.15 60.60 17 1.801 60.75 -0.36 61.15 60.40 716 16.118 61.73 -0.28 61.70 61.51 50 2.538 - 960 960 3 +5 990 980 50 - 960 960 10 81 30 +0.20 81.75 80.80 632 17,523 82.70 +0.20 83.25 82.50 294 5,222 83.70 +0.45 83.60 83.15 72 2,541 84.50 +0.40 84.60 84.50 58 2.262

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PULP AND PAPER # PURPEX CMLX (USS, 24 air day toos) Sett Day's price change High Low Yel 478.50 +12.75 478.00 471.00 All futures data supplied by CMS.

Nuts and seeds Prices from Kenkk London 5 per m/t. transian pistachios 28/ 30 raw fin shelli nat. open fround); crop 98; 26/30 at 2800, FCA Europe, 20/22 at 3600 CFR MEP. All prices subject aflatodin pas-GFR MEP. All prices subject aflatodin passage: 80 per cent RPPC goods passed. Turkish hazelmuts 13/15 and 11/13, crop 98 midication 3830 GFR. Market decreasing slowly. Indian cashever crop 96 GFR from top shippers, W320 6100, W240 7000. Market increased slightly due slow production prior new crop. Spot W320 8300 FCA Rotterdam. US almonds standard 5 per cent crop 98 at 2600. Indication crop 99 at 2750 FAS for St.5 per cent. All FAS.

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arreass. Volum Open interest totals are for all traded months. INDICES

Routers (Base: 18/9/31 = 100) Mar 24 Mar 23 month ago 1378.9 1374.7 1436.1 **CFB Futures** (Base: 1967 = 100) Mar 23 Mar 22 month ago 189.87 190.45 ■ GSCI Spot (Base: 1970 = 197) Har 23 148.23 Mar 22 month ago 149.27 133.09

Heavy Fuel OII Naphtha Jet fuel \$132-133 1,057 23,247 Petroleus Argus, Tel. Lundon (0171) 359 8792 三 竹野 Gold foer tray azyê Silver (per troy oz) Platinum (per troy oz.) 509.50c 19.65 92.21p 99.94p 53.08p \$206.00 Unq £95.50 Matte (US No.3 Yellow) Wheat (US Dark North) £121.50 Rubber (Apr) ♥
Rubber (NL RSS No1) 42.75p 43.25p 229.50m Coconcut Oil (Philip§ 700.0 -5.0 Cotton Outbook & Index Wooltops (64s Super) E per spiso unitaz pilomisto stated, p peopeloj, c cardalla, r stroggi

OFFSHORE **AND OVERSEAS** BERMUDA (FSA RECOGNISED **自己的问题**。 GUERNSEY (REGULATED)("") BERMUDA 劉隆 湿珠 Bet you haven't seen our website... http://www.eaglestarintlife.com EAGLE STAR International Life (International Life) Limited which is regulated by the iske of Man No. 20126. Eagle Star House, Athol Street, Douglas, Iske of Man, Brutish Isles, IM99 IEF Tel +44 1624 66206 Fax +44 1624 662038 **CAYMAN ISLANDS**

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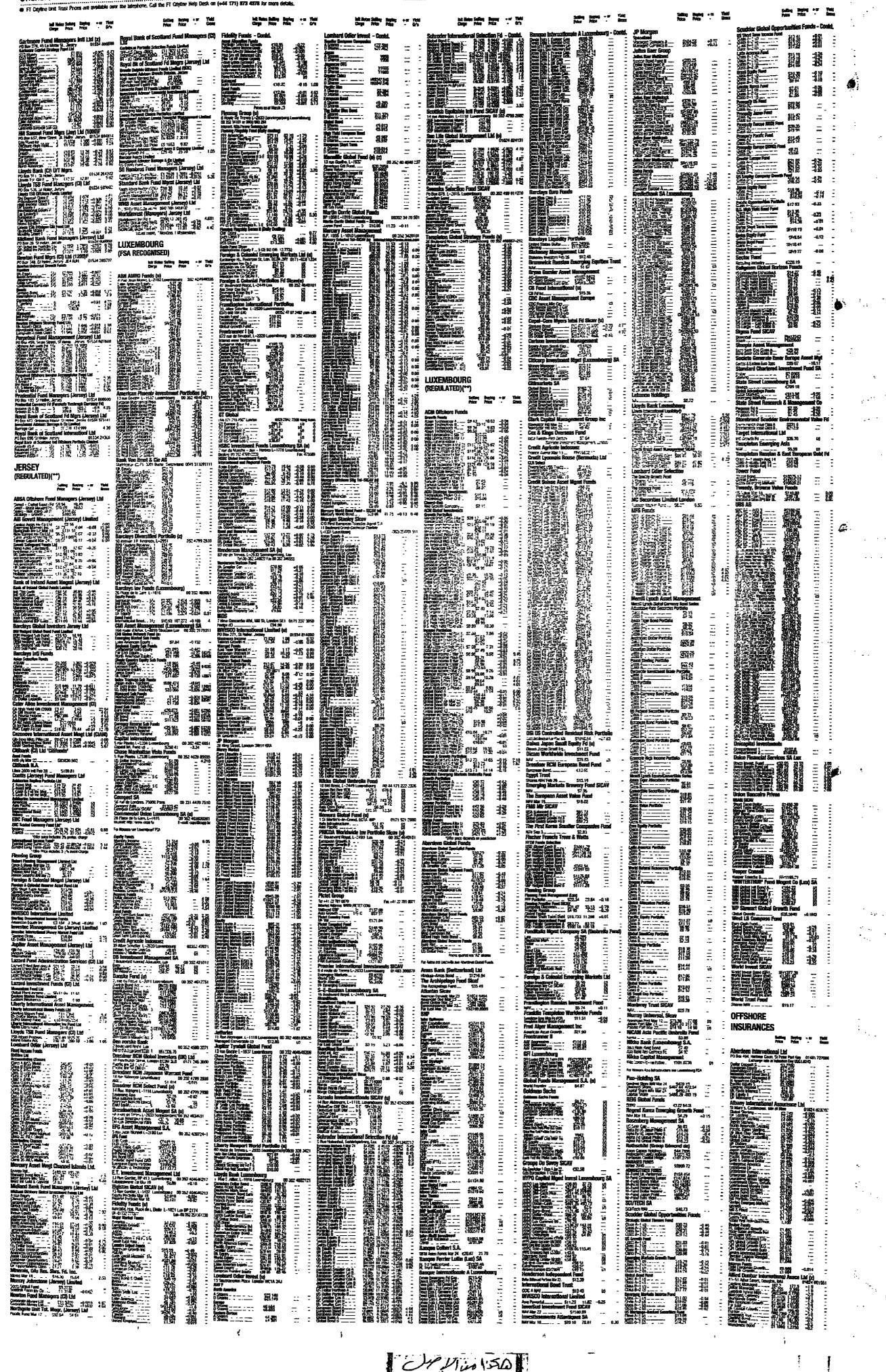
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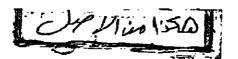
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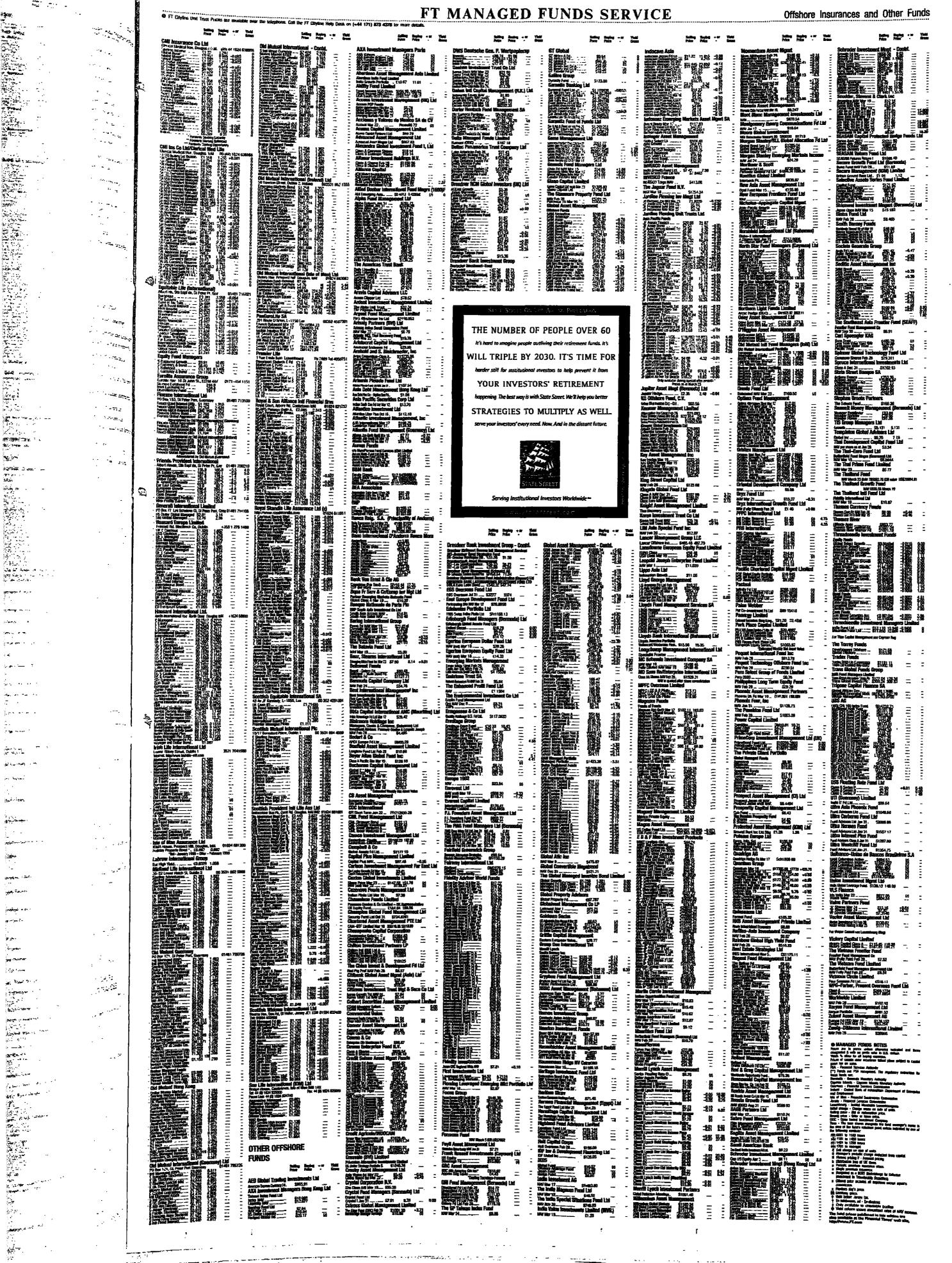
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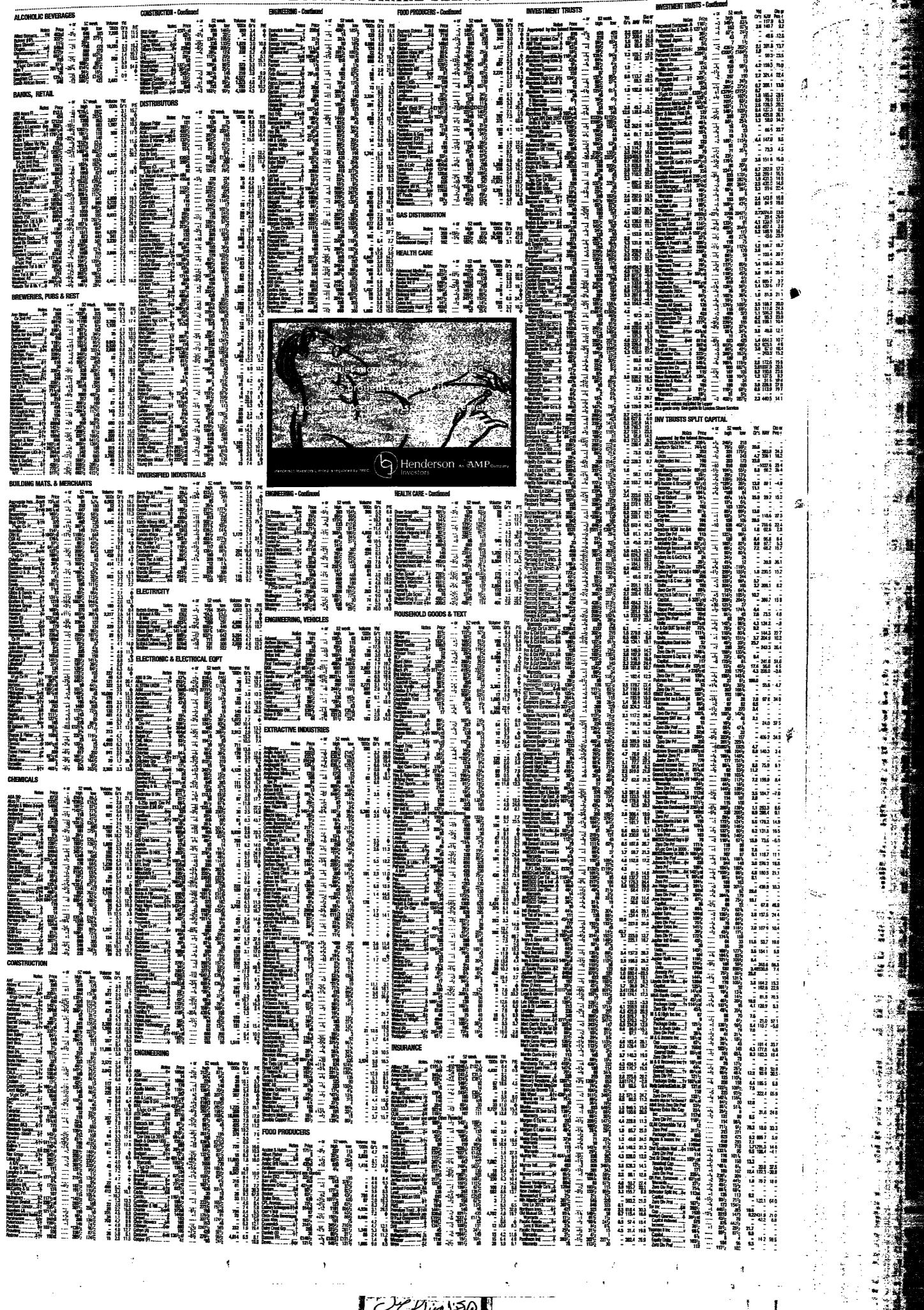
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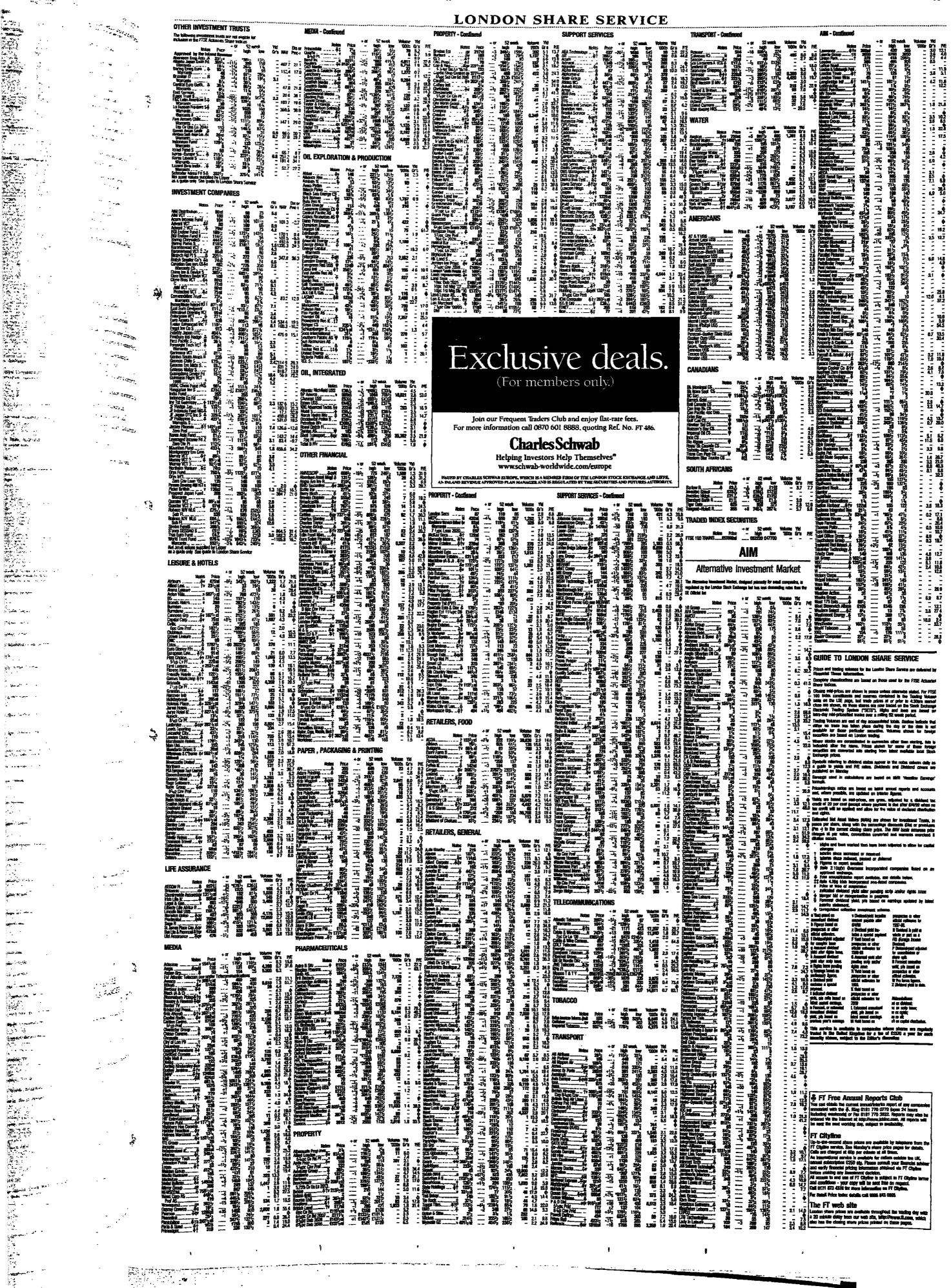
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FTSE All-Share index

Equity shares traded

Turnover by volume (million)

LONDON STOCK EXCHANGE

Equities resist global pressures but close lower

MARKET REPORT By Peter John

The UK equity market had a mountain to climb yesterday, with Europe on a war footing. Pacific basin mar- kets closer to Kosovo were kets gurgling down a plug hole and Wall Street off more than 200 points.

It was not surprising that Footsie started the day heading smartly down the valley instead. The index was off more than 90 points and below 6,000 after the first hour of trading.

In fact, the prospect of Nato's first attack on a sovtalking point than a genuine reason to mark the indices

European strategists said that while some of the marsold lower, and Germany was off 2 per cent in early Wall Street trading. remained the dominant fea-

Equally, heavy selling in Japan and other far eastern markets partly reflected technical selling ahead of nese waters. But the over-

ereign state in its 50-year riding concern was the slide history was more of a by the Dow Jones Industrial Average on Tuesday night.

It looked as if the trend might continue ahead of the FOMC rate-setting meeting next Tuesday. The Dow tried to go higher during the last two hours of UK trading but the SmallCap lost 13.1 at was heading back into the 2,382.0. red when London closed. And after-hours selling in the Footsie future signalled another weak start today.

Nevertheless, Footsie resisted the global pressure as best it could. It fought the financial year and a back from the lows throughpolitical incident in Japa- out the day and closed 43.8 lower at 6,016.7.

index tends to be sold more heavily than the second-line and pension funds still have stocks when there is heavy an unusually large amount global pressure, it remained more or less in line with them yesterday. The FTSE little interest. 250 fell 40.1 to 5,435.5 while

port for P&O following and by the end of the year Tuesday's restructuring news and signs that classic utilities and food retailers, £25bn for the effect of cash were back in favour.

the prospect of a bumper mates £36bn will be sucked

shareholders is still intact year. of money sloshing around in bank accounts earning very

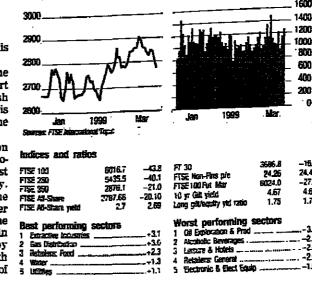
"So far this year, companies have announced the return of £10bn worth of cap-There was continuing supital to their shareholders this could amount to £20bn."

That would be double last defensive stocks, such as year's figure. Throw in takeovers. and even allowing And David McBain of BT for rights issues and flota-Alex Brown points out that tions, BT Alex Brown esti-

And while the blue-chip year for returns of capital to out of the UK market this

For many investors, the question is when to start putting some of that cash back in and the answer is likely to be provided by the next base rate cut.

Today the Confederation of British Industry will provide a pointer with the latest industrial trends survey. The surveys have become slightly more optimistic over the past few months but the bias is expected to remain pessimistic. Turnover by 6pm hit 1.25bn shares with the balance back in favour of



Food is back in flavour

COMPANIES REPORT By Simon Sernholt and Joel Kibazo

Food retailers rose in a falling market as dealers speculated that a big European investment house was poised to turn positive on

There were suggestions that ABN Amro had prepared a sector review and that it was at the publisher's last night.

ABN was unavailable for comment but it might have been influenced by the stark underperformance of some of the leading companies. For example, Sainsbury, the second worst performer in the FTSE 100 this year, has underperformed the FTSE All-Share by 27 per cent. Yesterday, the shares bounced 20 to 390p, encour aged by revived rumours that Ahold of the Netherlands could be keen to bid.

Recent good figures from Iceland, unchanged at 2831 p. and Morrison, down 3' s to 316' ap. and the 14 per cent underperformance of the sector in the first quar ter were all helping to shift sentiment.

Dresdner Kleinwort Benson and Morgan Stanley Dean Witter are among brokers who have turned positive on the stock in the past

few weeks. There was also brisk trade of 36m in Tesco, up 412 to ture, and 30m in Asda, up 21% to 153¹/₂p.

much-predicted The restructuring of the UK teleappeared to be under way with confirmation that mobile operator One-2-One is likely to be put up for sale by joint owners Cable & Wireless and MediaOne, the US group.

A statement from the com-

tives" regarding their ownership of One-2-One. The two possible routes to disposal being considered were "an 1701-p, as traders digested initial public offering or a news of its Korean joint ven- potential strategic sale of all or part of the company". The news helped C&W

jump 12' - to 743p, in trade of 10m, with dealers predicting communications sector a sale price of between £6bn and £11bn for the cellular company.

C&W appointed Merrill Lynch to advise on the sale while Lehman Brothers will act for MediaOne.

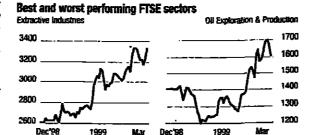
Last year C&W indicated it was committed to spending panies said they were \$1bn over five years to main-"exploring strategic alternatian and expand the internet

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LIFFE Equity option



business it acquired from US

merged with WorldCom. If floated One-2-One would be expected to join the growing list of FTSE 100 telecom constituents.

Commerzbank has turned more positive on the stock shifting its recommendation from "sell" to "hold".

It says: "Having fallen to 21 per cent below our estimated sum of the parts of 899p, it's clearly better underpinned on fundamen-

In the rest of the sector. Securicor, the subject of recent broker recommendations continued to move ahead. The shares gained another 6': to 579':p. while Vodafone, the UK's biggest mobile operator, declined 7 to £10.21 with 14m dealt.

products manufacturer sham, 81; off at 485p. Caradon made it the worst performer in the FTSE 250 after it announced the disposal of its UK steel lintels closed 912 off at 12712p while those of the latter eased 'a to

A two-way pull in engigroup MCI which later neering group Lucas Varity. currently in the middle of an agreed bid from TRW of the

US. left the shares

unchanged at 286p. The group reports figures today but dealers indicated investors were unlikely to pay too much attention to the actual numbers and will instead be looking to see the impact of the General Motors strike on auto compopent suppliers.

BT Alex Brown expects a 5 per cent advance in profits per cent, to 916 p.

The bid will see LucasVarity drop out of the FTSE 100 and attention has already turned to its possible replacement. The list of possible candidates includes information technology com-Profit-taking in building rose 9 to 689 ap, and healthand home improvements care group Nycomed Amer-

Fans of WH Smith could hardly conceal their glee at Therapeutics and Smith & the news that the high street Nephew. up 5% to 156%p. retailer is to launch a free business to British Steel for internet service with the £13.6m. Shares in the former support of British Telecommunications and US giant Microsoft, investors sent the shares up 6712 or 11.4 per cent to 657'2p, a new record for the stock and the best rose 612 to 3221.2p. performance on the FTSE

250 yesterday. The company said it was tal with free net access and a wide range of education and entertainment content". The news was a blow to Dix- licence agreement this year

8.36 per cent to £12.39, the worst performer in the FTSE 100. BT fell 21 to 963p.

Broker recommendations helped to boost airports operator BAA. The shares ended 33 ahead at 675p as analysts pointed to the positive outlook for the group following a meeting with the company on Tuesday.

Dresdner Kleinwort Benson reiterated its positive stance while Credit Lyonnais was reported to have turned buyer having previously advised clients to sell the shares.

The market continued to celebrate P&O's plans to refocus its activities with a £2bn disposal programme. The shares were again the best performers in the FTSE 100. appreciating 56. or 6.5

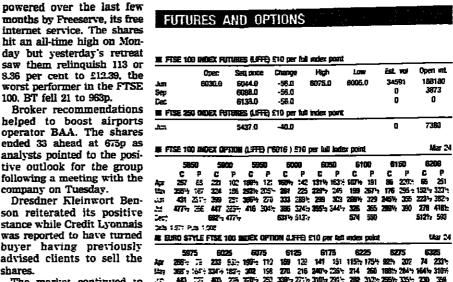
The long-awaited consolidation among UK casino operators moved a step closer as Stanley Leisure, up 101: to 294p. offered 80p a share for Capital Corporation, up 85 to 75p. Capital, whose shares have fallen pany Sema Group which from a high of 245p in 1995. announced last October it had received a number of bid approaches.

> over the former's wound care technology helped the shares rise 5 to 112':p. KS Biomedix, which announced the development of 14 antibodies for certain

The deal between PPI

breast and lung cancers, Biotech software provider Oxford Molecular rose 7 to 41p after a "buy" note from tech stock Stanford Rook rose 5 to 176p after predict-

ing at least one significant

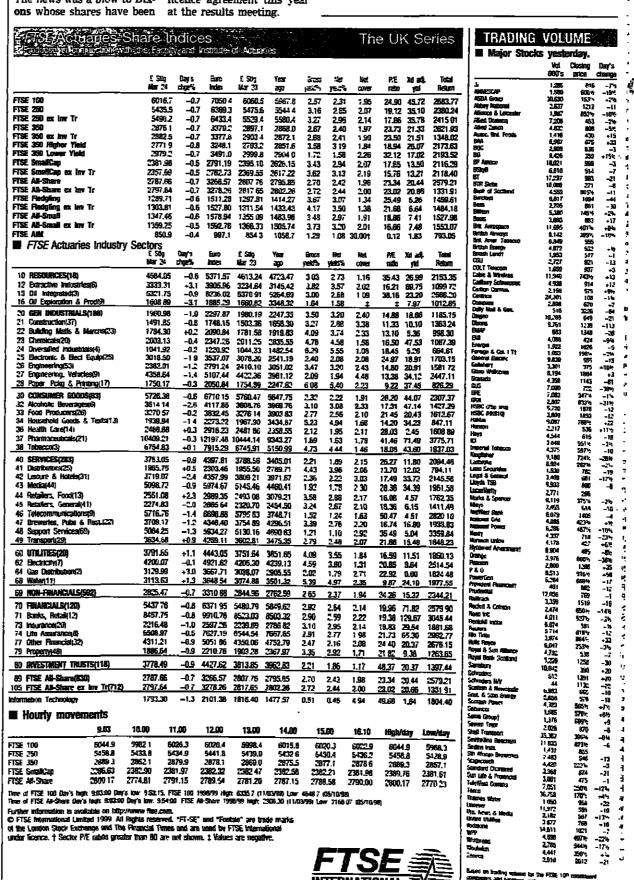


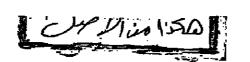
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GLOBAL EQUITY MARKETS

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EMERGING MARKET FOCUS

Bombs threaten

STOCK MARKETS

Investors reflect sombre political backdrop

WORLD OVERVIEW

Wall Street's inability to tackle convincingly the 10,000 point barrier on the Dow and the US market's overnight pull-back - its Tokyo lost 3.1 per cent as third in as many sessions knocked the wind out of equity market sails, writes Michael Morgan

Add in political tensions in Asia - as suspected North remained the market's driv-Korean ships intruded into Japanese territorial waters - that an April rally was still and Nato's preparations to on the cards, with many

Yugoslavia, and the stage was set for a sombre perfor-

keep up with the volume of cent lower. local selling. One Asian specialist noted that financial ing force. But he believed

launch air strikes against Investors keen to switch holdings from the US.

Hong Kong, which had mance in the share markets. clung to a rallying Nikkel's Tokyo and Hong Kong coat-tails, found no good readuly obliged with sharp falls. son to let go as the Japanese market retreated. The Hang foreign buying was unable to Seng index finished 3 per

European markets also took some knocks but most year-end preparations of the big markets closed off their lows. Amsterdam finished with a loss of 1.9 per cent while Frankfurt gave

Shares in FRANKFURT

bounced gently off the bot-

tom late in the session to

close with the Xetra Dax

index down 73.16 or 1.5 per

cent at 4.797.33 after a ses-

a generally weak motor sec-

tor ahead of today's results

conference. Last month VW

sent a shudder through the

European motor industry

when it unveiled hnovant

1996 figures but warned of

As investors and analysts

the likely margin

braced themselves for detail

squeeze, the shares gave up

The FTSE Eurotop 300 index fell

11.43 or 0.93 per cent to

1,217.39. See Euro Prices page.

€1.07 at €55.79 having back-

tracked from their January

peak of €78.70. Daimler

Chrysler came off €2.55 at

€78.25 and BMW lost 80

Banks were mixed follow

ing Commerzbank's forecast

of significantly lower risk

provisions this year. Deut-

sche Bank retreated 37 cents

at €49.19 and Commerzbank

added 40 cents at €36.55

cents at €26.93. Dresdner

Mobilcom continued to

wilt in the Neuer Markt, the

market specialising in

smaller high-tech shares.

The stock fell to its lowest

level for four months, slip-

ping €32.50 or 13 per cent to €226.50 ahead of today's

annual meeting where

approval for a round of capi-

Elsewhere in the telecommu-

nications sector, Deutsche

tal increases is expected.

cents at €627.45.

tougher trading in 1999.

Volkswagen lost ground in

sion low of 4,749.90.

Some of the smaller markets were harder hit by the chill winds blowing from Kosovo.

Moscow tumbled 5.1 per cent, still unsettled by the decision by Yevgeny Primakov, the prime minister, to abandon a visit to the US. Warsaw was another 5 per cent loser while Athens, down 3.2 per cent on Tuesday, lost 4.6 per cent. Istanbul gave up 2.2 per cent. Wall Street, on the day,

offered little in the way of a

Abby Joseph Cohen, Goldman Sachs chief market strategist, raised her 1999 target for the index to 1,325, based on an improved outlook for corporate profits.

closed, the Dow was trading

marginally higher as news

fell 5 per cent in February

provided some assistance.

that durable goods orders

The Standard & Poor's 500,

meanwhile, stood at 1,265 as

This optimistic forecast contrasts with the view of

ABN lost 55 cents at €18.75

while among other financials

Fortis, which releases

results today, fell €1.15 or 3.3

per cent to €34. Nedlloyd

was again the leading firm

feature, rising €1 to €22 for a

two-day advance of 23 per

cent on plans for the listing

of the group's container joint

venture with UK shipping

ZURICH was lower after a

cautious day and the SMI

index finished 64.6 down at

6.949.0 although turnover

In the pharmaceutical sec-

tor. Roche and Novartis

which bucked the negative

trend initially, closed mixed.

Novartis finished with a loss

The share has been under

selling pressure for two

weeks since publishing 1998

profit figures, but some ana-

lysts believe it may now

have hit bottom. Roche cer-

tificates, beneficiaries of

switching, edged up SFr30 to

of SFr10 at SFr2,350.

held up to SFr3bn.

lead. By the time Europe sceptics, doubtful about corporate profits, who believe the US is heading for a significant correction.

Ms Cohen, one of Wall Street's most prominent bulls, previously expected the benchmark index to hit a range of 1,275-1,300 by the end of this year.

2000 to be years of continuing profit expansion, when aggregate gains will be better than in 1998 which was a

SFr17,680. Financials were

mostly lower, with the

Vontobel which gained

SFr115 to SFr2,685 in further

response to Tuesday's news

of a sharp rise in net profit

for 1998. UBS lost SFr10 to

SFr460 and CS Group slipped

dropped SFr1 to SFr120 in

spite of reporting a 73.5 per

ABB suffered from contin-

ued profit-taking, losing

SFr17 to SFr1,919. ABB rose

sharply in early trade on

Tuesday after announcing

generation business with

MILAN finished off its

Telecom Italia was one of

lows but more than 1 per

cent weaker with the Mibtel

the few Mib30 stocks to end

in positive territory, lifted by

fresh hopes that Olivetti's

bid for the telecoms group

could succeed. Telecom

Italia put on 3.4 per cent to

€9.34 while Olivetti eased 1.7

MADRID put in a dull per

formance, with the general

index closing down 3.63 at

864.28. Telepizza was a rare

firm feature, jumping 40

cents to €7.55 on rumours over an imminent merger.

lector Niev Prieb

autor Operations

naten: Minister (

nicer Calef Ecrop

per cent to €2.76.

index 296 down at 24,345.

conglomerate

cent rise in profit for 1998.

Watchmaker TAG Heuer

SFt3 to SFt259.50.

French

Alston

kets, higher commodity prices, the growing convic-But she expects 1999 and tion that the country's assets had been oversold and the increasing likelihood of a stop-gap IMF deal.

But the decision of Yevgeny Primakov, prime minister, to postpone a critical visit to Washington - and the IMF headquarters - On Tuesday because of the increasing tensions over Kosovo could mark a sharp turning point in the market's fortunes. The symbolism of Mr Primakov turning his aircraft round midway across the Atlantic was not lost on foreign investors.

The fear now is that any bombing of Yugoslavia could frustrate an agreement between Russia and the IMF. straining the country's finances to breaking point. Already the central bank

has been forced to print more money to cover urgent a renewed slide in the rouble this week. A further downward lurch

in the economy could have plans to merge its power worrying political implications destroying the fragile equilibrium so carefully crafted by Mr Primakov. If the Russian government

crumbles - as some of its senior ministers are already predicting - then an agreement with the IMF would appear all the more remote. But Peter Boone, head of

research at Brunswick Warburg, suggests that - somewhat perversely - the growing tensions around Kosovo may make an IMF deal more probable. The US administration, which has a big say in whether the IMF agrees a deal, will not want to be seen to be "punishing" Russia for its foreign policy stance, he argues.

The fact that political Hritten and edited by Michael relations have deteriorated Morgan, Jeffrey Brown, Florian Gimbel and Peter Hall means that financial relations will improve." Mr

Russian revival The Russian stock market had been rising strongly this year as a result of the global rebound in emerging mar-

ngi candidate for

Boone says. "If the domestic politics stay calm then this latest dispute [over Kosovo] will not change the likeli hood of an IMF agreement.

Trying to predict the future course of Russian politics, though, is a mug's game. Value investors may be tempted to focus more on Russia's underlying fundamentals

By international standards, Russian assets still appear woefully undervalued: the total market value of the Moscow Times index amounts to about \$160n - or less than 10 per cent of gross domestic product.

John-Paul Smith, Russia analyst at Morgan Stanley Dean Witter, is recommending clients buy the better quality oil companies - such as Lukoil and Surgutnette gaz - and ignore the rest of the market. "When you look at the oil and gas sector on a bottom up basis there has been a massive improvement in operating cash flow as a 🖢 result of the devaluation.

But even at the micro-level there are risks aplenty. This week's row between Yukos, the glant Russian oil company, and minority shareholders in its daughter companies highlights the glaring imperfections that remain in the country's corporate governance regime.

John Thornhill

Dow weakens again despite hi-tech rises

AMERICAS

US equities moved lower in early trading after a rally in high-tech shares failed to ignite enthusiasm in the broader market, writes John Labate in New York.

By midday, the Dow Jones Industrial Average had extended Tuesday's steep 219-point sell-off, slipping a further 16.09 at 9,655.74. The broader Standard & Poor's 500 index was off 3.30 at

A change in outlook by one of the market's most well-known bulls, Abby Joseph Cohen of Goldman Sachs, failed to rouse sentiment. Ms Cohen raised her expectations for the end of the year performance of the Standard & Poor's 500 index to 1.325 based on her expectations for profits.

"The main factor is we've had some firmness in the bond market on Kosovo and weaker than expected economic numbers," said Bill Meehan, chief market analyst at Cantor Fitzgerald.

A sharp drop in durable goods orders in February provided some support for bond prices in early trading. Among Dow shares, IBM rose \$1 to \$167 after it announced a \$3bn strategic to C\$68.05 while Northern alliance with EMC, while shares of EMC climbed \$2% to \$116. Telecoms leader AT&T gained \$114 at \$791 a day after its \$8bn debt issue. On the downside. Wal-Mart fell \$11 to \$88% and Citigroup \$1 to \$60%.

America Online, down \$61 at \$115 is, was the most actively traded stock on the NYSE after Brown Brothers the shares to

reversing a three-day losing

streak as buyers stepped in

opening bell, but the rally

the preceding three sessions,

was up 76.04 or 1.6 per cent

We lost a bit more at the

to snap up bargains.

term neutral" from "buy". ite index up by less than one point to 2,323.04. Dell Comthan 4 per cent to \$37% after

new technology alliance. Micron Technology gained \$21/2 at \$521/2 after ABN Amro started coverage with a "buy" rating. Motorola shares climbed \$15 to \$7018 on news of a \$5m Mexican cellular deal.

Gabelli Asset Managemen rose \$% to \$16% after Merrill Lynch started the stock as a 'near-term accumulate".

notably oils, and a bounce

giant Ameritech Renaissance Energy rose 35 cents to C\$18.10 as international oil prices continued to rally. BCE gained 70 cents Telecom, in which BCE has

showed solid gains. Alcan Aluminium added 60 cents at C\$39.60 and Seagram

Harriman cut its rating of C\$69.40 and Bank of Mon-"short- treal 60 cents at C\$61.40.

improved 45 cents to C\$71.60. Golds and banks were dull. Barrick Gold shed 5 cents at C\$27.25. Royal Bank of Canada came off 20 cents at

Mexico City reverses three-day losing streak

came suddenly around early underpin sentiment. The morning. There has been Bovespa index was up 141 or 1.4 per cent at 10,558. some genuine buying," said CARACAS ignored the bet-The benchmark IPC index, ter trend of international oil down almost 5 per cent over prices, concentrating on the negative impact of potential

Nikkei 225 Average (1000) ·

SAO PAULO also rallied

after an uncertain start with

news of positive foreign

investment flows over the

past three weeks helping to

Many high-tech leaders remained higher at midday, sending the Nasdaq composputer rebounded from recent weakness, up \$1% or more

the company announced a

Revion shares shot up 23.7 per cent or \$4 to \$20% on speculation it was in takeover talks. Smaller company shares had eased, sending the Russell 2000 index down by less than a point to 383.01. TORONTO pushed higher in early trading thanks to improving energy stocks,

for telecoms leader BCE on the news of links with US

a big stake, gained C\$1.50 to

adding €10.70 at €276. PARIS staged a late recovery and the CAC-40 index closed down 21.31 at 4.058.16 after touching a low for the session of 3,995.70. Volume was boosted to €3bn by monthly settlement activity. Dexia was top performer, MEXICO CITY pushed what brokers described as jumping €8.20 or 7 per cent to €126. Good earnings and higher in early trading, moderate trading volume.

VW drives Frankfurt lower

positive forecasts prompted a series of broker upgrades, with Société Générale setting a price target of €140. The retail sector benefited from rumours that US giant Wai-Mart and Metro of Germany were looking for takeover candidates in France. Promodès jumped €21 or 4 per cent to €542. Carrefour

gained €16.50 to €674. LVMH rose €6.80 to €242 as it announced plans to bid for Gucci. Analysts said LVMH was a better strategic fit than Pinault-Printemps which last week acquired a 40 per cent stake in Gucci. Shares in Pinault-Printemps lost 60 cents at €139.80.

Merger partners Société Générale and Paribas outperformed following their pledge to more than double the value of the combined entity. Paribas was up 60 cents at €101.50. while Soc-Gen held steady at €171.

AMSTERDAM suffered heavy selling of blue chips with Royal Dutch, Unilever. Philips and ABN Amro all underperforming the broad market which ended 6.95 or 1.3 per cent lower at 525.73 on the AEX index.

A broker downgrade and over combined to send Unilever lower. Lehman detergents giant was teeing group Revion hit sentiment.

Telekom shed 97 cents to sent Convultant A €36.73 and Mannesmann nu Director Prosi-€2.95 at €110.65. SAP, a weak market lately Brothers cut its rating from des Director Chal with the shares sliding to a buy to neutral and the aging Director Fin 16-month low, rallied ahead shares fell €1.60 to €63.50. aess Development of today's results statement. Talk that the foods and nor Government up a bid for US cosmetics

Philips lost €1.40 at €71.15 in the wake of Tuesday's sell-off for US techs while Royal Dutch shed 90 cents at €47.10 in spite of a further bounce for international oil prices with Brent Blend flirting with \$14 a barrel.

Jo'burg rallies on trade data

SOUTH AFRICA

Johannesburg rallied modestly following positive February trade data but the unturn was insufficient to entirely repair damage oil production cuts. The IBC caused earlier in the session index was off 0.86 at 3,859.01. and the all share index

ended off 84.1 at 6,463.3. Industrials were heavily sold with South African Breweries losing 100 cents at R54.90, which helped push the industrial index down 94.6 at 7.559.5. Golds brushed aside a better day for bul-

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FINANCIAL TIMES Conferences

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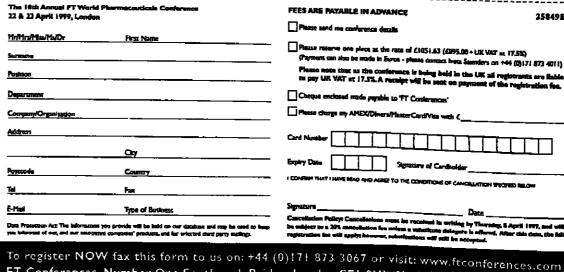
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Selling wipes out Tokyo gains

ASIA PACIFIC

one broker.

A bout of selling in Tokyo erased recent gains, sending the Nikkel tumbling more than 500 points as investors sought to fix positions following the rebound, writes Alexandra Harney.

Banks and exporters were the heaviest traded stocks as foreign investors sold technology shares that had been racking up gains recently. The Nikkei 225 benchmark index fell 503.63 or 3.14 per cent to 15.515.47, its low for the day. It climbed as high as 15,947.57 in early trading.

Other indexes slumped. The Topix index of firstsection shares slid 2.38 per cent or 30.12 to 1,233.59, and the Nikkei 300, a weighted average, lost 2.7 per cent or 6.87 to 247.43. In the first section, momentum was strongly negative as losing shares outnumbered gaining issues 863 to 318, and 147 shares closed unchanged.

Nomura Securities tum-

bled Y76, or 5.3 per cent, to

close at Y1,364 as reports

emerged that it would ask

banks for Y100bn in subordi-

Standard & Poor's announcement that it was downgrading the broker's debt rating weighed on the shares. Rival Nikko Securities lost Y33 to Y535, and other banks

tumbled. Fuji Bank slid Y39 to Y696, the Bank of Tokyo-Mitsubishi Y54 to Y1,656, and the Industrial Bank of Japan Y75 to Y820. Sanwa Bank slipped Y40 to

Y1,280 but Sakura Bank ended up Y1 at Y360 in heavy trading. Nissan Motor, the number two carmaker, gained Y20 to

syndicate of several banks. merger of two of its largest off 5.39 at 360.35. The banks

Y455 on hopes of a fundanated loans, on top of earlier mental restructuring of its

components suppliers this index came off 5.7 per cent week. Clarion, one of it parts

NTT, the leading telecommunications operator, lost Y50,000 to Y1,130,000, while NTT Data lost Y10,000 to Y1,040,000 in its first decline in seven days. But analysts said there was still strong interest in the stocks.

per cent, pulled down by overseas markets, and the Hang Seng index finished 329.67 lower at 10,711.34, up from a low of 10,653.67. Turnover picked up to HK\$5.6bn. Heavy selling was seen only in the market's big blue

chips, chiefly HSBC Holdings which plummeted HK\$7 to HK\$233 and Hutchison Whampoa which lost HK\$2.25 to HK\$60.50. HSBC had advanced more

than 10 per cent since it day. The BSE-300 composite reported its 1998 results on February 22 and said it cent to 3,682.69. would seek a New York stock exchange listing before the year-end. Hutchison is expected to announce a 22 Wall Street's slump and per cent fall in 1998 when it reports results today. BANGKOK ran into steady

suppliers, gained Y40 to sold ahead of the economic package the government is due to unveil next week. At Bt2.43bn, turnover was said to be thin. Bangkok Bank fell Bt0.50 to Bt53.50 and Krung Thai a similar

WELLINGTON lower, hit by Wall Street's HONG KONG tumbled 3 overnight slide and concerns ahead of a number of big issues which threaten to soak up NZ\$3.5bn - 7 per cent of the total market value - of investor cash in the next few months. NZ Telecom lost 13 cents at NZ\$8.97. The 40 capital index came off 82.98 or 1.5 per cent at 2,115.50.

BOMBAY fell sharply on fund selling in the software sector and position squaring ahead of today's market holiindex fell 74.81 or 1.99 per KUALA LUMPUR closed at

its lowest level in nearly four months in response to weak corporate earnings. The composite index was down 8.91, or 1.77 per cent, selling of bank shares and at at 494.57, which marked a requests for Y300bn from a parts makers following the the close the SET index was 500-point decline since



Dr Trevor Jones

Mr Fred Hassan

Dr Anthony H Wild Mr Eli Hurvitz

n. Global Health Can